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RURAL DEVELOPMENT, AGRICULTURE, AND RELATED AGENCIES APPROPRIATIONS FOR 1991

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

HOUSE OF REPRESENTATIVES

ONE HUNDRED FIRST CONGRESS

SECOND SESSION

SUBCOMMITTEE ON RURAL DEVELOPMENT, AGRICULTURE, AND RELATED AGENCIES

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RURAL DEVELOPMENT, AGRICULTURE, AND RELATED AGENCIES APPROPRIATIONS FOR 1991

WEDNESDAY, MARCH 14, 1990.

FARMERS HOME ADMINISTRATION

WITNESSES

ROLAND R. VAUTOUR, UNDER SECRETARY FOR SMALL COMMUNITY AND RURAL DEVELOPMENT

LA VERNE AUSMAN, ADMINISTRATOR, FARMERS HOME ADMINISTRATION

JAMES C. ANDERSON, DIRECTOR, BUDGET STAFF, FARMERS HOME ADMINISTRATION

STEPHEN B. DEWHURST, BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

OPENING REMARKS

Mr. WHITTEN. The committee will come to order.

We have with us today the Farmers Home Administration. I will call first on Under Secretary Vautour. May I say, for the record, we urge the Secretary to send us a representative of his office for each of our hearings. Some years ago, we did not have it and the career people had to speak to administration policy, and it did not work too well. Glad to have you with us.

About 84 percent of the country is classified as rural, cities 50,000 and below. So, by and large, you deal with most of the country. We will be glad to hear from you, Mr. Vautour.

UNDER SECRETARY'S STATEMENT

Mr. VAUTOUR. Thank you.

Mr. Chairman, thank you for the opportunity to be here today. As always, it is a pleasure, and I would like to take this opportunity to quickly run through the major points of our budget proposal.

Mr. WHITTEN. We would be glad to have you proceed as you would like.

For anyone new, we will put the biographical sketch in the record, if available.

Mr. VAUTOUR. Okay.

This budget represents the continuing commitment of the Administration to those rural Americans who depend on the Federal Government to meet their temporary needs for financial assistance. It also expands their opportunities to fulfill those needs while recognizing that we all must bear in mind that there are limits to what we can and should do. It is a rational and a good budget and responsive to current needs.

LOAN PORTFOLIO

We ended the 1989 fiscal year with an outstanding loan portfolio of more than 1 million borrowers in the direct and guaranteed programs with loans totaling $58.8 billion in farm, rural housing and community and business programs. That was about $3.5 billion less than the previous year and represented the write-off of uncollectible loans, the repurchase of loans by some communities, and payments on outstanding loans.

The strength of the farm economy, as exhibited by exports, commodity prices and land values, had a noticeable effect on the Farmers Home Administration. The Agency is experiencing a continued trend in the fall-off in demand for farm operating loans. We think that this is a healthy phenomenon. In 1989, farm loans totaled $2.2 billion, an amount ample to meet demand.

Progress was achieved in the nonfarm portion of FmHA operations also. Community program borrowers purchased well over $1 billion of their own loans, making a securitized sale unnecessary. This demonstrates to us that some borrowers are able to secure private sector financing and need not be dependent upon subsidized Federal credit.

TRANSITION TO GUARANTEED LOANS

The 1991 fiscal year budget continues the direction and progress we embarked upon last year. It maintains the momentum in the transition of farm loans from direct to guaranteed and includes guaranteed loans for rural housing and community program borrowers. These guarantees will assist borrowers who are able to qualify for commercial credit with the Federal guarantee.

In addition, we are requesting a new interest assistance program for guaranteed loans in the farm and housing areas which does not require a matching interest rate reduction by the lender. This will provide more applicants an opportunity to qualify for guaranteed loans. It will give the lenders the security of a Federal guarantee and further expand their participation. It will also free up more of our field staff to work with and support new and beginning applicants and the socially disadvantaged applicants who may need more help in becoming and remaining successful farmers.

We will still offer a substantial level of direct loans. Together with interest reduced guaranteed loans and with the downturn in demand, we think we can meet the need.

HOUSING PROGRAM

In housing we are offering a four-tiered program mix to assist the entire range of housing applicants. And this, Mr. Chairman and members of the Committee, I think is a new and innovative approach and a responsible one. We are requesting an interest-assisted guaranteed loan program that can serve families whose incomes are approximately 60 to 80 percent of median who cannot now qualify for a home loan without Federal assistance. In addition, we will provide guaranteed loans to borrowers whose income falls between 80 to 100 percent of median income to ensure that they are able to purchase homes. We are also requesting funds for the direct low-interest loans for both home ownership and multi-family rental units to serve low and very low income families. At the final tier, when all else fails, we propose to continue the deep subsidy rental assistance program and initiate a housing voucher program to serve low and very low income families who cannot qualify for ownership loans through the other three tiers of lending. The voucher program is a cost effective way of assisting low income families while allowing greater mobility in those areas where housing stock is available.

This housing budget request is substantially above the levels proposed over the last several years. It assists about the same number of families as the programs actually enacted in 1989 and 1990.

Funding is continued for rural development activities to provide small communities additional opportunities to strengthen their basic services, along with the traditional water and community development loan and grant programs. This budget also supports the intermediary relending program. By making available one percent loans, this program allows nonprofit and governmental entities to build revolving funds and keep interest rates at a very low level. This program can be used to establish or expand small businesses in rural areas.

Mr. Chairman, members of the committee, we have established some very clear goals and priorities to guide us as we strive to reach those goals.

Again, I thank you for the opportunity to meet with you to discuss the proposed FmHA budget. The new Administrator, I would add by about 24 hours, Mr. La Verne Ausman, is here with me, and he is prepared to discuss the budget in more detail. We both will be available for any questions you might have. Thank you again, Mr. Chairman.

[CLERK'S NOTE.—The full text of Under Secretary Vautour's prepared statement appears on pages 85 through 88.]

Mr. WHITTEN. Thank you very much.

We turn now to Mr. Ausman. Mr. Ausman, we welcome you to your present position. Most new members can lay it on the folks that preceded them, but that is not true in your case, having been there all along. But, anyway, we are glad to have you here today. [Laughter.]

STATEMENT OF FmHA ADMINISTRATOR

Mr. AUSMAN. Thank you, Mr. Chairman. Members of the committee, it is a pleasure for me to be here and join the Under Secretary in discussing our 1991 budget proposal.

In the 1991 fiscal year, we plan to use our resources to increase the opportunities that are available to our borrowers to meet their credit needs and the needs of basic home and community services. It will be done without a hindrance to existing programs and without creating new and burdensome demands on the budgetary resources of the Nation.

We feel it is a sound budget proposal. It requests more program authority than we actually used in 1989. It strongly supports traditional programs, but it proposes some new ways to respond to our current needs.

We are proposing to add a guaranteed loan authority to our traditional rural home ownership program, as the Under Secretary said. In addition, we are proposing a new interest assistance program for guaranteed loans in the farm and housing programs that will allow us to serve applicants who could not qualify for a loan from a private lending source without additional assistance and yet do not require the level of credit assistance and supervision our traditional direct loan programs require.

This benefits us in two ways. It lowers the immediate budget impact of direct lending, and it will free our field staff to work with and help new and beginning borrowers and socially disadvantaged applicants to become and remain successful farmers and homeowners.

In 1989, the Farmers Home Administration ended the fiscal year with an outstanding portfolio of $58.8 billion in farm, rural housing, and community program loans with more than one million borrowers.

Farm loans accounted for $25.8 billion, including more than $3 billion in guaranteed loans. And, as in the past several years, our efforts were concentrated on those farm borrowers who were seeking to have their debt restructured and their loans restored to a current status as we undertook the implementation of the Agricultural Credit Act of 1987.

In that regard, Mr. Chairman, I can report that we have resolved the accounts of more than 32,500 borrowers whose loans have been more than 180 days delinquent. Of those, 4,600 received debt restructuring with write-downs amounting to more than $796 million, and 5,000 were approved for buy-outs resulting in write-offs of over $1 billion.

Almost 10,000 farm borrowers received some form of adjustment in their debt, such as consolidation of loans, rescheduling, reamortization, and deferrals before reaching the write-down or buy-out stages.

All in all, the processes prescribed in the Ag Credit Act of 1987 are at work. The Act is helping many farmers who have suffered economic stress through circumstances beyond their control to stay on the farm, as it was intended to do.

Farm loans obligated in the 1989 fiscal year amounted to $2.2 billion, with guaranteed loans accounting for 53 percent of that total. It was the third year that more guaranteed loans were made than direct.

Two other forms of special assistance were continued during the year. The first one is "Operation Assist." It is a program that is a standard duty for our county supervisors. Under that program, if it looks like a borrower should be qualified for a guaranteed loan, the county office staff personally can work with that borrower, go with them to a bank or a cooperative lender, and help them obtain that guaranteed loan. To further help those potential borrowers, we also prepare the bank forms in working with them.

The second is the interest buy-down program. It was again successful in helping farmers that are in a particular financial niche. Under this program, we can match a reduction of interest up to 2 percentage points granted by a lender if that will help restore that borrower to a sound financial cash flow situation.

Although much of the time and effort was devoted to helping farm borrowers restructure their debt and renew the viability of their operation, we continue our strong support of rural housing and community programs and plan new initiatives to expand our opportunities to participants in those programs.

When we talk about budget highlights, I would say the budget request for fiscal year 1991 proposes an overall program level of $6.1 billion, of which $3.4 billion is requested for farm programs, $2.1 billion for housing and housing support programs, and $646 million for community and business programs.

FARM PROGRAMS

The farm program budget request for fiscal year 1991 is $3.4 billion. Within that total, $3.1 billion is for operating loans and $188.5 million for farm ownership loans. To continue the shift to guaranteed loans, we are proposing that $2.6 billion in operating and $150 million in farm ownership would be in the form of guaranteed loans.

We are doing everything we can to provide more servicing where needed including asking for more people. This shift to guaranteed lending for those borrowers who do not need the intensive servicing is an important way to help. To induce lenders to make those guarantees available to more borrowers, we plan to offer interest assistance averaging 3 percentage points in the guaranteed loan programs and a maximum of 4 percent. The basic legislative authority for this program already exists under current law. We are bringing it in here as part of our proposal.

The interest rate assistance will bring that interest rate down to near the rate level of a regular direct loan and, if necessary, will help that borrower to achieve a positive cash flow. Interest assistance will apply to about $350 million of our guaranteed operating loan portfolio and $50 million in farm ownership.

Since direct loans have an immediate impact on budget outlays, the move to guaranteed loans with assistance will substantially reduce those outlays while at the same time, we believe, provide borrowers with basically the same interest rate. That would mean less cost while helping the borrower obtain affordable credit. And I think we also recognize that it will provide an opportunity for that borrower and that lender, be it the cooperative lending service or other private lenders, to begin a long-term business relationship that we hope will be helpful as that farmer goes forward.

The budget includes an appropriation of $6 billion to reimburse the Agricultural Credit Insurance Fund. This will be for the costs that are due to interest differentials between our loan rates and the cost of money and significant loan write-offs that we mentioned earlier. Interest differentials and related losses amount to $2.9 billion, and $3.1 billion is related to the write-offs.

RURAL HOUSING PROGRAMS

The 1991 budget proposal for housing will help meet low income housing needs in rural America by providing assistance to about the same number of families we have in recent years. We are encouraging private sector lending with a Federal guarantee, and are proposing to provide the interest rate assistance for guaranteed loans to those low income borrowers, principally with incomes between 60 and 80 percent of median.

Under Secretary Vautour went into some detail on the four-tiered housing program. I will not repeat it. It is in the testimony. But that is how we feel we can reach all of those levels.

We will continue to have the multi-family housing direct loan program funded at $391 million and plan to target assistance to those communities with the greatest need for housing assistance in the multi-family program.

To reimburse the Rural Housing Insurance Fund for interest assistance and other losses, the budget requests $2.7 billion.

RURAL DEVELOPMENT PROGRAMS

Now moving to rural development programs, the fiscal year 1991 budget includes $646 million for community and business programs, $376 million for direct loans, $170 million for guaranteed loans, of which $70 million was made available by the Disaster Assistance Acts of 1988 and 1989, and $100 million in water and waste grants.

The guaranteed loans will be available to the more financially secure communities that can obtain credit from private lenders with a minimum of Federal assistance. I think our experience with the loan purchase program over the last several years demonstrates that many communities are able to afford private credit. They do not have to rely on Government-subsidized credit.

We are requesting $350 million for water and waste loans. Of this amount, $300 million is direct and $50 million is for guaranteed loans. For the community facility program, we are requesting $96 million to be divided into $46 million for direct loans and $50 million in guaranteed loans. Both direct water and waste disposal loans and direct community loans will be targeted to those communities with the greatest need.

Lending through the Rural Development Loan Fund will be increased from $19 million in 1990 to $30 million in 1991. These direct loans are offered at one percent so that nonprofit entities and jurisdictions that use those programs can build regional and local revolving funds and still offer extremely low interest rates to needy borrowers. This is intended to replace the business and industry guaranteed loan program and remove some duplication that now exists in those services.

An appropriation of $1.7 billion is requested for reimbursement of the Rural Development Insurance Fund for interest assistance and other losses, of which $923 million is associated with the discount purchase program in fiscal year 1989.

SALARIES AND EXPENSES

The budget request includes a direct appropriation of $448 million within total salaries and expense costs of $602 million to cover the cost of administering the overall loan portfolio and also providing credit counseling and services to our more than one million borrowers.

Farmers Home continues to recognize that people are our most valuable and important resource, both from the standpoint of whom we serve, and how we deliver our services. To enable us to try to keep pace with the complexities of our program and to meet the legislative mandates, we are asking for 425 additional staff years.

This increase, coupled with the shift to more guaranteed lending, can significantly increase our effective field force to work with borrowers who need extra help in obtaining or keeping needed credit. The employees associated with those staff years are expected to be hired this year so that they can be trained and available to increase our loan servicing efforts for the full fiscal year 1991.

My prepared statement goes into more detail. For the sake of time, I have only tried to hit the highlights here today, but you have that statement on record.

Mr. Chairman, we believe that our 1991 budget request is realistic. While meeting the basic needs of rural residents and the communities of the Nation, it recognizes the constraints we must live with to diminish the Federal deficit. We believe our request accommodates the needs of rural America and the fiscal limitations we all face today.

This concludes my formal statement. We have attached A Brief History of the Farmers Home Administration.

[CLERK'S NOTE.—The full text of the Administrator's statement appears on pages 89 through 99. The report "A Brief History of the Farmers Home Administration appears on pages 100 through 160. The explanatory notes appear on pages 161 through 317.]

HISTORY OF RURAL PROGRAMS

Mr. WHITTEN. Thank you very much. And may I say that each of you have a long record of service and I have the highest regard for you and other employees of the Department of Agriculture. However, I cannot help but trace the history to a degree and the situation today and the fix we are in and where the cause occurred.

I am glad you brought this forward about the Farm Security Agency which led to the program that we have today.

When I first came to Congress, that was not true. We had $500 million authorized in the housing program, the first housing program we had for rural areas. And they had not made a loan. They put it in there to get congressional votes for your city programs, but they had not implemented it.

So, I checked into the matter, and we on this subcommittee struck out "farm" and wrote in "rural". Well, we had no jurisdiction to do that, but we did it. Congress approved our change in the law, and that is the background of your Farmers Home housing program.

Through the years we have had to go all out to take care of the Farmers Home Administration, and we did a wonderful job for years. And as you know, to qualify for a Farmers Home loan, you had to show you could not get the money somewhere else.

This committee sponsored your water system program. Well, now you have rural water. As I say, nowdays rural areas have everything the cities have except the grime and the crime. And I am afraid with drugs, we are getting in that class unfortunately.

But with time we seem to have forgotten just exactly why Farmers Home was created. And I could go into detail about what it has done for a number of outstanding people that got their start with a loan from Farmers Home. The original requirement was you could have only one wages hand and two horses or mules. If you got bigger than that, you lost your qualification.

But in recent years, agriculture has fallen into bad times. Since 1982, we have had 802 bank failures, most of them in rural areas. We have had 584 savings and loan associations go under. We had one head of the Farmers Home Administration who said he was selected to collect money. We felt his job was to help farmers.

So, he had a rule that anybody who wanted to get a production loan had to show where he could make the payments on everything he owed plus the money he wanted to borrow. And 300,000 farmers went broke, all of them not involved with the Government. If you are turned down by Farmers Home, well, who are you going to go to because you are supposed to be the lender of last resort. If you don't, it must be bad, indeed. So, they could not turn to a bank.

Now, not only did that happen, but in the process, our national debt increased to $3 trillion, more than any nation in history. Now, that is the background with which we have to deal.

GUARANTEED LOANS

I have talked to Mr. Vautour about what you were going to do today, and we want to cooperate. I am sure a whole lot of you in your own area want to cooperate. But because you get away from cash and get on into guarantees, you have not saved anything from the Government's standpoint, but you put lots of rural people out of reach of getting money. As I said, 802 banks have failed. We have an equal number just on the fringes, just barely staying open. Where are they going to get the money to lend?

I used to deal with the FDIC and with banking, but now I do not do it directly. I am on the subcommittees now. But there is a limit on what a bank can lend based on its size and all those kind of things. So, in much of the area of this country, when you say go get a guaranteed loan, there is no bank there that has the money to let you have even if you had a double guarantee. So, I hesitate to buy your offer to have guaranteed loans.

I ask that we get a list of the guarantees, and I appreciate your getting it up here within 24 hours. And it is tremendous. But the farmer is the little man in there if you look and see who all got the guarantee.

We are having problems right now on the floor of the House. Everybody wants to do something for rural development. Well, getting a prosperous agriculture is the best way to have rural development, and that is what we in this country destroyed.

For 80 years this country was prosperous because the farmer could get a fair price from the purchaser. We stopped that 10 years ago and started letting him sell for less than cost and we sent him a check from the Treasury.

Not only that, but the Commodity Credit Corporation was set up for the purpose of supporting prices and competing in world markets at competitive prices. We quit using it for that purpose. Now, we give these big corporations about $4 billion to export and the cost is charged to the farmer. And all these oranges, and all this canned fruit, all these other things, we spend $200 million a year for the processors to promote their product use, charged back to the farmer.

Now, the point of it is 10 years ago, you might have argued that you are sound, but after this last 10 years' experience, I do not see how in the world anybody can say what you have been doing is good. It is better than it was a few years ago but worse than it was 10 years ago.

PROPOSED BUDGET

Now, here is what you bring to us, 84 percent of the country. Here is what you would cut out: the emergency conservation program $10 million; rural development grants, $16.5 million; rural community fire protection, $3.09 million; mutual self-help housing, $8.75 million; self-help housing, $500,000; conservation loans, $21.949 million; telephone loans, $239.2 million; FFB guaranteed electric and telephone loans, $933.075 million; capitalization of rural telephone bank, $28.71 million; rural economic development subaccount, $5 million; animal health grants, $5.4 million; reimbursement for interest and other losses, $244.1 million; urban gardening, $3.5 million.

I get asked frequently why are you interested in urban gardening. I said how else would you get the votes in Chicago and Detroit, New York City, and Atlanta.

Farm safety you would cut $970,000; financial management assistance to farmer, $1.4 million, renewable resource extension, $2.765 million; Morrill-Nelson, $2.8 million; foreign currency research, $875,000; aquaculture centers, $3.7 million; low-input agriculture, $4.45 million; watershed and flood prevention, $31.1 million. And the country is about to wash away in many areas, so, you cut it down just to let them know you are still in business.

Resource conservation and development, $2.8 million, and so forth and so on, page after page of cuts.

Yet, your own budget request this year describes some of the problems we face in rural areas.

[The information follows:]

The National Rural Community Facilities Assessment Study showed that in 1980, 25 percent of the existing rural area waste treatment plants were at or were exceeding design capacity, and would need a source of financing for upgrading or expanding in order to maintain the standards mandated by the Clean Water Act. A 1986 EPA Needs Survey of Cost Estimates for Construction of Publicly-Owned Wastewater Treatment Facilities indicated that rural areas with a population below 10,000 need approximately $17 billion for these systems to be brought into compliance with the Clean Water Act of 1977. This survey also estimated that the entire nation's need was $59 billion, which means that the cost of upgrading sewer systems serving rural communities amounts to 29 percent of the nation's total needs.

Based on results of the National Rural Community Facilities Assessment Study, two percent of rural communities have no fire protection at all and over 40 percent of the rural communites with fire protection need additional water supplies, additional hydrants or tanker capacity. According to the *USDA Office of Transportation* there are 2.6 million miles of rural roads of which one-third are classified as barely adequate or worse. There are 470,000 bridges over 20 feet long of which half are structurally or functionally deficient and one-third are classified as intoleragle or worse. These are but two examples of some 80 different types of facilities financed by the community facilities loan program.

REPORT TO BUDGET COMMITTEE

Mr. WHITTEN. I would also point out what I said in my report to the Budget Committee.

[The information follows:]

PRODUCTIVE EMPLOYMENT NECESSARY IF WE ARE TO AVOID A RECESSION

In order to ensure our continuation as a great nation, we need a defense that is backed by public support and a strong economy. Strength that can come only by protecting and developing the nation's resources, our real wealth. Our nation is all we have to back up our money. Development of our rivers and harbors, construction of schools, roads and bridges, airports, along with increases in education and health protection, with adequate food and nutrition following from a strong agricultural base, provides the foundation for our national strength and our future.

At a time when the President has proposed a 120,000 troop reduction; at a time when practically each day newspapers and magazines carry stories of domestic business cutbacks in operations; at a time more and more American businesses are moving abroad and sending their products back to the United States under our Open Door policy on imports; more and more people are facing unemployment in every section of the nation.

Is this continues, we will need to be prepared to provide funds for construction of roads and bridges, buildings and the like and to restore programs such as revenue sharing, which we had for 14 years, aiding more than 39,000 units of government, in order to keep the economy going and to avoid a recession. This would be similar to what we did with the jobs bill which we handled in 1983.

INCREASED FOREIGN AID

Mr. WHITTEN. Now, I was just having a meeting today where they want to give all this money to Panama, and every day's paper has some other country. And we do not even know whether Japan will lend us the money or not.

INCREASED SPENDING FOR ADMINISTRATION

We had folks in here yesterday where they cut all programs and increased the money you folks get downtown. It does not make sense to me.

STRENGTH OF RURAL BANKS

Now, I do not know what you can do. You do not set the program. You have to do what you are told, but I am going to ask you point blank on this guarantee business, what check have you made in the rural areas of this country to see how many banks remain open under the special eye of the FDIC or somebody else and what is their ability to lend money. A guarantee is not any good if the bank does not have any money to let you have. Have you done any checking on that?

Mr. VAUTOUR. Mr. Chairman, the checking that we did do was with the American Bankers Association and with the Independent Bankers Association. We have not checked with FDIC.

Mr. WHITTEN. Well, you understand this. And I do not know that much about banking, but I have some stock in a bank that is in a holding company now.

Incidentally, I read something and I made note of it the other day. They once asked Will Rogers what a holding company was. He said it is the fellow you get to hold it while they search you. [Laughter.]

That is beside the point.

But most of these banks are in tight situations. All the efforts by Congress to have a rural development program are made without realizing if you will just let the farmers be prosperous, they will take care of themselves.

When I was growing up in the middle of the Depression, I worked on the Mississippi Delta two or three summers driving a gravel truck. It did me good. Once it was one of the richest and most prosperous sections of the world. Now it is dried up because agriculture has been permitted to dry up.

And agriculture, may I say again, is our largest employer, our biggest market for industry and labor, and our largest dollar earner in world trade. And when you start doing what has been done to agriculture in the last eight years, I do not see how you could expect anything but a $3 trillion debt. Do you?

[Pause.]

CURRENT STATUS OF FARMING

Do you all want to draw straws about who will answer that?

Mr. **Ausman**. Well, agriculture went through the biggest adjustment in my lifetime, obviously.

Mr. **Whitten**. It, unfortunately, has adjusted down, hasn't it?

Mr. **Ausman**. However, I am fairly close to it yet. Our son operates our farm. So, I kind of know what is going on out there from that personal standpoint. It is encouraging to see the turnaround. It is very positive.

Mr. **Whitten**. Well, what about the 70 million acres that lie idle?

Mr. **Ausman**. We have had to idle some, but that is not the first time——

OPPORTUNITIES FOR YOUNG FARMERS

Mr. **Whitten**. How about the neighbor whose father did not leave him a farm and he had to buy it? He did not last, did he?

Mr. **Ausman**. A lot of them have lasted.

Mr. **Whitten**. Give me some names in your neighborhood out there where the youngster has bought a farm and paid for it? You can put the names in the record.

Mr. **Ausman**. I could give you a name of a fellow who used to work for us, graduated from high school with my son and did not have an opportunity to go home.

Mr. **Whitten**. I will not put his name in here to embarrass him or you. [Laughter.]

Mr. **Ausman**. I was pleased the other day. I read the local paper and he is on his own and was just elected to the local co-op board.

Mr. **Whitten**. He is a very unusual individual, one in a million, isn't he?

Mr. **Ausman**. Well, I think I could find some more.

Mr. **Whitten**. Now, you haven't got six youngsters in my town of about 3,500 who are interested in farming, and every one of them inherited the farm because it is another thing to buy it today. Isn't that true in your general area?

Mr. **Ausman**. Of course, we have a strong, longtime family farm tradition. The farms do not change hands. I guess that is positive. The sons want to stay.

Mr. **Whitten**. I have said this many times. You and I have got it right. Getting a salary on the side is the way to farm, isn't it?

Mr. **Ausman**. Right. [Laughter.]

We had a fellow back home who raised feeder pigs, and worked off the farm. And we asked him one day why he did not raise more feeder pigs, and he said he would have to get more overtime. [Laughter.]

Mr. **Whitten**. Well, I do not take back any of the nice things I have said about you two. I know you have a long record.

But we are letting this thing get away from us. I mean, right here in Congress we are spending far more time on rural development programs instead of strengthening agriculture which would take care of it itself. It is beyond my reach and I think yours too. But we should recognize it. When you owe $3 trillion dollars, we can argue between the parties about what caused it, but you cannot argue about what the situation is.

Mr. **Vautour**. No.

Mr. **Ausman**. We agree.

Mr. **Whitten**. You are going to have to acknowledge the situation if you are ever going to correct it.

I take advantage of your being here to put these facts in the record, but I do not hold either one of you responsible. In fact, I do not know who to, but every day in the paper they are promising some other country to take care of it better than we are taking care of our own people. I have been in meeting after meeting the last three or four days because of other requests along that line.

I do not know what the answer is, but I do know that a prosperous agriculture is essential to this country. It is your biggest industry, your biggest buyer, your biggest employer. We better start looking to see what is causing the downfall and do what we can to correct it.

Let me now turn to some questions on the budget request you are presenting to the Committee.

Agricultural Credit Insurance Fund

GUARANTEED FARM OPERATING LOANS

For fiscal year 1991 you are requesting $2.6 billion for guaranteed operating loans, an increase of $284 million over the amount available for fiscal year 1990. What is the amount of guaranteed operating loans actually made in fiscal year 1989 and what is your current estimate for fiscal year 1990?

Mr. **Ausman**. In fiscal year 1989, 9,863 guaranteed farm operating loans were made in the amount of $879 million. In fiscal year 1990, we have the opportunity to make as many as 24,980 loans totalling $2.3 billion, the amount remaining after the transfer of $250 million to the guaranteed farm ownership loan program for purchases of Farm Credit System land. However, based on past experience, it is unlikely that we will reach our goal in Fiscal Year 1990. We have, however, proposed a major new initiative for Fiscal Year 1991, interest assistance for guaranteed loan programs to move moderate-income borrowers from our direct farm operating and farm ownership loan programs to the guaranteed loan programs at a level sufficient to assist these borrowers who are not able to pay private sector rates without financial assistance.

Mr. WHITTEN. How much has been obligated to date?

Mr. AUSMAN. In fiscal year 1990, through March 7, 2,948 guaranteed farm operating loans totalling $287.4 million have been obligated.

GUARANTEED FARM OPERATING LOANS

Mr. WHITTEN. What efforts are you making as an agency or what have you instructed your field offices to do with respect to making sure that borrowers not eligible for direct loans are able to receive guaranteed loans? Please describe the practices that actually are being followed by the Washington Headquarters, state and county offices.

Mr. AUSMAN. FmHA wants to assure you that those applicants who truly cannot obtain other credit are the recipients of direct loans. To that end, FmHA requires applicants to attempt to obtain credit, with or without a guarantee, before they will be considered for a direct loan. Our experience indicates that many applicants for direct loans are able to obtain a loan from a commercial lender with a guarantee. but applicants do not put much effort into getting a guaranteed loan because they want FmHA credit at subsidized rates.

FmHA county office staff work closely with applicants to find credit at rates and terms consistent with their ability to repay it. Under Operation Assist, FmHA staff will work with the applicant to package the loan guarantee application, accompany the applicant to the private lender, and facilitate in any other way the review and approval of the guarantee. The Approved Lending Program is designed to further reduce processing costs of the private lender and increase use of the guaranteed loan authority. FmHA will make a direct loan only if no other lender can meet the applicant's needs. FmHA state office personnel are monitoring this process to assure it is working properly. State Directors also monitor county office activities to ensure that applicant credit needs are being met. This monitoring includes review of obligation reports and application activity, maintaining contact with lenders, and field visits to review office activities. The National Office in Washington monitors activities at the state level. This monitoring includes review of obligation reports and application activity. Additionally, National Office personnel review concerns expressed by applicants directly and through their elected representatives. National Office personnel also develop guidance for field personnel and, if necessary, make field trips to assist states facing unusual challenges in managing both direct and guaranteed loan programs.

Mr. WHITTEN. Please provide for the record the number and dollar amount of guaranteed operating loans, by year, for the last ten years.

[The information follows:]

FARMERS HOME ADMINISTRATION—GUARANTEED FARM OPERATING LOANS OBLIGATED, FISCAL YEAR 1980 THROUGH FISCAL YEAR 1989

[In thousands of dollars]

	Number of loans	Amount
Fiscal year:		
1980	362	$24,830
1981	342	24,989
1982	549	47,329
1983	488	50,547
1984	965	111,444
1985	9,693	1,106,850
1986	14,772	1,367,287
1987	13,614	1,240,738
1988	9,853	892,578
1989	9,863	879,174

DIRECT OPERATING LOANS

Mr. WHITTEN. You are requesting $500,000,000 for direct operating loans, a decrease of $432,500,000 below the amount available for fiscal year 1990. What will happen to those borrowers where banks in their area are not interested in making guaranteed loans?

Mr. AUSMAN. FmHA believes the interest assistance for guaranteed loans will make it possible for a significant number of FmHA's existing farm borrowers to obtain a guaranteed loan with interest rates comparable to those offered under the direct loan program. This interest assistance program will be used to move moderate-income borrowers from the direct operating loan program to the guaranteed loan program. The interest assistance will be from one to four percent but will average no more than 3 percent. This level is anticipated to be sufficient to assist moderate-income borrowers who are not able to pay private sector rates without financial assistance.

Continued promotion of the guaranteed farm loan program, combined with the financial incentive of the subsidized program, will attract additional lenders to the program.

While there will likely continue to be regional differences in the acceptance of the guaranteed program, nationally the $500 million budget request for funds is realistic, when coupled with a direct operating interest assistance for a guaranteed loan program amount of $350 million.

Mr. WHITTEN. Please provide for the record the number and dollar amount of direct farm operating loans, by year, for the last ten years.

[The information follows:]

FARMERS HOME ADMINISTRATION—DIRECT FARM OPERATING LOANS OBLIGATED, FISCAL YEAR 1980 THROUGH FISCAL YEAR 1989

[In thousands of dollars]

	Number of loans	Amount
Fiscal year:		
1980	31,849	$849,999

FARMERS HOME ADMINISTRATION—DIRECT FARM OPERATING LOANS OBLIGATED, FISCAL YEAR 1980 THROUGH FISCAL YEAR 1989—Continued

[In thousands of dollars]

	Number of loans	Amount
1981	29,496	822,614
1982	44,370	1,203,680
1983	56,072	1,685,000
1984	59,202	1,959,710
1985	76,505	3,599,968
1986	49,474	2,203,165
1987	32,096	1,298,281
1988	23,167	899,501
1989	20,517	856,018

LOANS RESCHEDULED OR DEFERRED

Mr. WHITTEN. Please provide for the record a table showing the number of farms assisted, by state, through rescheduling, consolidation or reamortization by deferral or by interest buydown for fiscal year 1989.

[The information follows:]

LOANS RESCHEDULED CONSOLIDATED, REAMORTIZED, DEFERRED, AND RECEIVED INTEREST BUYDOWNS, FISCAL YEAR 1989

State	Borrower rescheduling/ consolidation/ reamortization	Deferrals/ principal/interest	Interest buydown
Alabama	296	64	0
Arizona	71	13	0
Arkansas	619	79	1
California	294	37	6
Colorado	200	43	13
Connecticut	26	8	0
Delaware	20	4	0
Florida	202	45	0
Georgia	366	157	4
Hawaii	52	14	0
Idaho	496	146	8
Illinois	867	152	13
Indiana	529	113	11
Iowa	1,037	76	238
Kansas	477	95	76
Kentucky	768	187	8
Louisiana	774	76	0
Maine	162	26	0
Maryland	105	14	0
Massachusetts	38	6	0
Michigan	527	110	153
Minnesota	969	156	234
Mississippi	965	139	0
Missouri	769	176	79
Montana	530	67	27
Nebraska	586	135	27
Nevada	20	5	0
New Hampshire	12	1	1
New Jersey	49	18	0
New Mexico	105	14	0
New York	401	80	7

LOANS RESCHEDULED CONSOLIDATED, REAMORTIZED, DEFERRED, AND RECEIVED INTEREST BUYDOWNS, FISCAL YEAR 1989—Continued

State	Borrower rescheduling/ consolidation/ reamortization	Deferrals/ principal/interest	Interest buydown
rth Carolina	334	72	0
rth Dakota	1,318	172	314
io	419	33	3
lahoma	1,059	216	24
egon	203	16	4
nnsylvania	343	85	1
erto Rico	128	46	0
ode Island	1	1	0
uth Carolina	354	50	0
uth Dakota	998	209	29
nnessee	779	210	1
xas	1,153	204	10
ah	134	13	11
rmont	78	12	7
rgin Islands	0	0	0
rginia	270	37	1
ashington	276	55	3
est Virginia	119	16	0
isconsin	725	189	425
yoming	90	15	6
Total	21,113	3,901	1,744

FARM INVENTORY

Mr. WHITTEN. How many farms do you currently have in inventory, by state, and what is the estimated value of each farm?

[The information follows:]

FARM PROPERTIES IN INVENTORY BY STATE AS OF FEB. 28, 1990

State	Number of farms	Current market value	Average value per farm
labama	11	1,643,000	149,364
rizona	52	15,032,570	289,088
rkansas	75	8,549,235	113,990
alifornia	65	36,625,056	563,462
olorado	173	27,557,837	159,294
onnecticut	1	135,000	135,000
elaware	2	83,500	41,750
lorida	66	14,485,431	219,476
eorgia	86	11,569,202	134,526
Hawaii	1	180,000	180,000
Idaho	130	15,337,397	117,980
Illinois	66	6,033,560	91,418
Indiana	44	4,149,712	94,312
Iowa	255	32,797,229	128,617
Kansas	181	15,626,966	86,337
Kentucky	20	1,527,860	76,393
Louisiana	124	15,298,567	123,376
Maine	14	889,900	63,564
Maryland	6	811,350	135,225
Massachusetts	4	721,000	180,250
Michigan	150	16,007,860	106,719
Minnesota	237	23,625,334	99,685

FARM PROPERTIES IN INVENTORY BY STATE AS OF FEB. 28, 1990—Continued

State	Number of farms	Current market value	Average value per farm
Mississippi	303	47,679,403	157,358
Missouri	302	25,279,027	83,705
Montana	39	6,075,895	155,792
Nebraska	106	15,048,002	141,962
Nevada	11	1,485,840	135,076
New Jersey	1	408,000	408,000
New Mexico	35	8,617,623	246,218
New York	115	12,003,790	104,381
North Carolina	113	15,216,129	134,656
North Dakota	200	28,677,525	143,388
Ohio	8	1,620,000	202,500
Oklahoma	152	21,634,659	142,333
Oregon	62	9,515,355	153,473
Pennsylvania	27	3,020,579	111,873
Puerto Rico	31	4,548,900	146,739
Rhode Island	1	115,000	115,000
South Carolina	48	5,737,400	119,529
South Dakota	167	18,018,525	107,895
Tennessee	150	10,878,687	72,525
Texas	58	9,124,468	157,318
Utah	11	1,308,700	118,973
Vermont	2	359,500	179,750
Virginia	18	2,053,800	114,100
Washington	88	14,953,538	169,927
West Virginia	16	2,223,100	138,944
Wisconsin	166	15,158,020	91,313
Wyoming	28	4,374,875	156,246
Total	4,021	533,823,905	132,759

Mr. WHITTEN. Would you please provide a table for the record that shows the number of farms in inventory and the value each year for the last ten years?

[The information follows:]

FARMS IN INVENTORY PROPERTY, CALENDAR YEARS 1980 THROUGH 1989

	Farms in inventory	Current market value
Calendar year:		
1989	4,116	$536,516,000
1988	4,754	657,118,000
1987	4,897	650,697,000
1986	5,011	832,989,000
1985	3,965	697,897,000
1984	1,919	(1)
1983	2,089	379,152,000
1982	1,789	149,194,000
1981	634	35,953,000
1980	(2)	

[1] Due to a change in reporting techniques employed by FmHA this information is not available on a comparable basis.

[2] Information not available.

FARMS SOLD FROM INVENTORY

Mr. WHITTEN. How many farms were sold from inventory, by state, in fiscal year 1989?

[The information follows:]

Farm inventory properties sold in fiscal year 1989

[Inventory properties sales]

State:	
Alabama	16
Arizona	3
Arkansas	43
California	26
Colorado	12
Connecticut	0
Delaware	0
Florida	7
Georgia	21
Idaho	0
Illinois	39
Indiana	45
Iowa	10
Kansas	141
Kentucky	94
Louisiana	48
Maine	46
Maryland	9
Massachusetts	2
Michigan	0
Minnesota	25
Mississippi	28
Missouri	62
Montana	94
Nebraska	14
Nevada	40
New Hampshire	4
New Jersey	0
New Mexico	11
New York	19
North Carolina	27
North Dakota	24
Ohio	2
Oklahoma	41
Oregon	17
Pennsylvania	8
Puerto Rico	0
Rhode Island	0
South Carolina	11
South Dakota	112
Tennessee	22
Texas	6
Utah	6
Vermont	0
Virginia	1
Washington	10
West Virginia	8
Wisconsin	33
Wyoming	8
U.S. total	1,195

AGRICULTURAL CREDIT ACT OF 1987

Mr. WHITTEN. The Agricultural Credit Act of 1987 provides that the Secretary may transfer guarantee authority from operating loans to ownership loans to fund purchases of Farm Credit System land. To date in fiscal year 1990, you have transferred $250,000,000. What is the number and dollar amount of Farm Credit system land purchases during fiscal year 1989 and to date during fiscal year 1990?

Mr. AUSMAN. In fiscal year 1989, guaranteed loans for the purchase of Farm Credit System land totalled 53 for $6 million. In fiscal year 1990, thru March 7, they have totalled 26 for $3 million.

Mr. WHITTEN. What are your current estimates for fiscal year 1990?

Mr. AUSMAN. Based upon past experience, we estimate there will be 60 guaranteed loans for the purchase of Farm Credit system land totalling $6 million.

Mr. WHITTEN. What are your estimates for fiscal year 1991?

Mr. AUSMAN. We estimate there will be 70 guaranteed loans for the purchase of farm Credit system land totalling $7 million.

FARM OWNERSHIP LOANS

Mr. WHITTEN. Please provide for the record a table showing the number of insured and guaranteed farm ownership loans made, by state, for fiscal year 1989.

[The information follows:]

INSURED AND GUARANTEED FARM OWNERSHIP LOANS OBLIGATED BY STATE, FISCAL YEAR 1989

State	Number of loans	
	Insured	Guaranteed
Alabama	22	40
Alaska	0	0
Arizona	0	0
Arkansas	22	69
California	34	13
Colorado	10	18
Connecticut	3	0
Delaware	5	10
Florida	12	6
Georgia	25	32
Hawaii	8	0
Idaho	11	22
Illinois	55	141
Indiana	25	30
Iowa	77	226
Kansas	53	75
Kentucky	52	52
Louisiana	17	76
Maine	15	0
Maryland	6	9
Massachusetts	5	2
Michigan	21	100
Minnesota	48	146
Mississippi	21	71
Missouri	45	44
Montana	12	28
Nebraska	31	106
Nevada	3	0
New Hampshire	3	3
New Jersey	5	3
New Mexico	13	11
New York	24	25
North Carolina	51	60
North Dakota	27	102
Ohio	27	29
Oklahoma	40	89

INSURED AND GUARANTEED FARM OWNERSHIP LOANS OBLIGATED BY STATE, FISCAL YEAR 1989—Continued

State	Number of loans	
	Insured	Guaranteed
Oregon	11	15
Pennsylvania	27	27
Puerto Rico	44	11
Rhode Island	2	0
South Carolina	25	22
South Dakota	32	27
Tennessee	42	29
Texas	65	60
Utah	9	12
Vermont	8	20
Virginia	18	15
Virgin Islands	2	0
Washington	9	21
West Virginia	13	13
West Pacific Territory	0	0
Wisconsin	33	205
Wyoming	4	24
U.S. total	1,172	2,139

GUARANTEED FARM OWNERSHIP LOANS

Mr. WHITTEN. Please provide for the record a table showing the number of insured and guaranteed farm ownership loans made, by state, to date during fiscal year 1990.

[The information follows:]

FARMERS HOME ADMINISTRATION—NUMBER OF INSURED AND GUARANTEED FARM OWNERSHIP LOANS, FISCAL YEAR 1990 AS OF MAR. 7, 1990

State	Insured loans	Guaranteed loans
Alabama	17	17
Alaska	0	0
Arizona	1	0
Arkansas	8	24
California	19	1
Colorado	5	8
Connecticut	3	1
Delaware	1	3
Florida	5	4
Georgia	12	24
Hawaii	2	0
Idaho	9	3
Illinois	37	37
Indiana	19	10
Iowa	48	90
Kansas	37	56
Kentucky	26	31
Louisiana	8	17
Maine	7	0
Maryland	2	4
Massachusetts	10	2
Michigan	18	37
Minnesota	35	54
Mississippi	12	30

FARMERS HOME ADMINISTRATION—NUMBER OF INSURED AND GUARANTEED FARM OWNERSHIP LOANS, FISCAL YEAR 1990 AS OF MAR. 7, 1990—Continued

State	Insured loans	Guaranteed loans
Missouri	13	15
Montana	4	10
Nebraska	29	36
Nevada	0	0
New Hampshire	3	1
New Jersey	3	0
New Mexico	3	7
New York	16	15
North Carolina	30	31
North Dakota	21	33
Ohio	23	9
Oklahoma	24	37
Oregon	7	3
Pennsylvania	12	8
Rhode Island	0	0
South Carolina	14	9
South Dakota	27	18
Tennessee	13	12
Texas	51	29
Utah	7	2
Vermont	7	10
Virginia	7	2
Washington	3	12
West Virginia	9	11
Wisconsin	30	86
Wyoming	1	5
West Pacific Territory	0	0
Puerto Rico	21	2
Virginia Islands	4	0
Total	723	856

1990 FARM BILL PROPOSAL

Mr. WHITTEN. In connection with the 1990 Farm Bill you are proposing to limit direct farm ownership loans to only "socially disadvantaged" applicants. Under your proposal, who would be eligible for these loans?

Mr. AUSMAN. As defined in FmHA regulations, a "socially disadvantaged applicant" is an applicant/borrower who, because of their identity as a member of a group, has been subjected to racial or ethnic prejudice or cultural bias without regard to their individual qualities. This would include Blacks, American Indians or Alaskan Natives, Hispanics, and Asian or Pacific Islanders. The Agricultural Credit Act of 1987 required that such applicants be defined consistently with Section 8(a)(5) of the Small Business Act.

We expect to provide farm ownership opportunities to non-socially disadvantaged applicants through our guaranteed loan program and through the credit sale of FmHA inventory property.

Mr. WHITTEN. What percent of fiscal year 1989 direct farm ownership loans went to this category of applicant?

Mr. AUSMAN. In fiscal year 1989, loans to socially disadvantaged applicants totalled $12.4 million, which was 13 percent of the direct farm ownership loans obligated.

Mr. WHITTEN. Will this proposal require legislation or can it be implemented under existing law?

Mr. AUSMAN. Our proposal to limit direct farm ownership loans to only socially disadvantaged applicants will require legislation. The Agricultural Credit Act of 1987 required only a share of direct farm ownership loans to be available to socially disadvantaged applicants.

EMERGENCY DISASTER LOANS

Mr. WHITTEN. For emergency disaster loans you are proposing $25,000,000 in fiscal year 1991 compared to $600,000,000 in fiscal year 1990. Would you please provide for the record a ten-year table showing the actual numbers and total dollar amount of emergency disaster loans made each year?

[The information follows:]

FARMERS HOME ADMINISTRATION—EMERGENCY DISASTER LOANS OBLIGATED, FISCAL YEAR 1980 THROUGH FISCAL YEAR 1989

[Dollars in thousands]

	Number of loans	Amount
Fiscal year:		
1980	54,394	$2,266,890
1981	138,990	5,112,290
1982	42,863	2,173,412
1983	8,771	565,938
1984	34,997	1,051,627
1985	14,060	490,877
1986	5,584	217,774
1987	2,548	113,613
1988	554	29,891
1989	2,806	73,493

Mr. WHITTEN. How many emergency disaster loans have been made to date in fiscal year 1990?

Mr. AUSMAN. We have made 875 emergency disaster loans totalling $27.4 million as of March 7, 1990.

SOIL AND WATER LOANS

Mr. WHITTEN. According to page 14–40 of the explanatory notes, in fiscal year 1989 you made $5,499,000 in direct and $440,000 in guaranteed soil and water loans. How many and for what amount have loans been made to date in fiscal year 1990?

Mr. AUSMAN. In fiscal year 1990, as of March 7, we have made 147 direct soil and water loans totalling $3.3 million and 1 guaranteed soil and water loan for $72 thousand.

Mr. WHITTEN. How many applications are currently pending?

Mr. AUSMAN. Presently, there are 191 direct soil and water loans applications and 43 guaranteed soil and water loan applications on hand.

Mr. WHITTEN. Why are you proposing to terminate both the direct and the guaranteed loans?

Mr. AUSMAN. Over the past few years, there has been little demand for direct and guaranteed soil and water loans and as a result, we propose to terminate those programs. Future requests for assistance for soil and water conservation purposes can be processed under our guarnateed farm ownership and direct and guaranteed operating loan program, as similar loans purposes are authorized under these programs.

Mr. WHITTEN. Do these loans play a role with respect to water quality or quantity?

Mr. AUSMAN. Soil and water loans do play a role in quantity of water available for agricultural purposes. The impact on water quality is not measured nor is it a requirement for a loan.

INDIAN TRIBE LAND ACQUISITION LOANS

Mr. WHITTEN. According to page 14-40 of the notes, in fiscal year 1989 you made $120,000 in acquisition loans. Have any been made to date in fiscal year 1990?

Mr. AUSMAN. As of March 14, 1990, no Indian Land Acquisition loans have been obligated. However, funds in the amount $480,000 have been allocated to Wisconsin for an acquisition loan to the Oneida tribe.

Mr. WHITTEN. How many applications are pending?

Mr. AUSMAN. In addition to the Oneida tribe application, there are two other applications pending in Oklahoma and South Dakota totalling $2.5 million.

WATERSHED PROTECTION AND FLOOD PREVENTION

Mr. WHITTEN. According to page 14–40 of the notes, no Watershed and Flood Prevention loans were made during fiscal year 1989. Why is that?

Mr. AUSMAN. Mr. Chairman, the Soil Conservation Service has the lead on watershed projects. No loan may be made until the Soil Conservation Service and the local sponsoring organization have agreed on a plan for works of improvement according to Public Law 92–419. Past reductions in the number of construction starts authorized by the Soil Conservation Service for watershed projects have resulted in a reduction of the number of requests for FmHA watershed loans. Also, many communities can obtain funds at a lower interest rate than the current government rate of 10.075 percent for watershed and flood prevention program.

Mr. WHITTEN. How many applications for these loans were either on hand or submitted during fiscal year 1989?

Mr. AUSMAN. There were eight applications totalling $12.3 million on hand at the beginning of fiscal year 1989 and no new applications were received during the year.

Mr. WHITTEN. How many applications are currently pending?

Mr. AUSMAN. Our records indicate that eight applications for watershed loan funds are currently pending.

RESOURCE CONSERVATION AND DEVELOPMENT LOANS

Mr. WHITTEN. According to page 14–40 of the notes, no Resource Conservation and Development loans were made during fiscal year 1989. Why is that?

Mr. AUSMAN. Mr. Chairman, as in the case of watershed loans, administrative leadership for this program is assigned to Soil Conservation Service. No loan may be made until SCS and the local agreed on a plan for Resource Conservation and Development measures. Past reductions in the number of SCS starts have resulted in a reduction of the number of requests for FmHA loans.

Mr. **Whitten**. How many applications were received or were on hand during fiscal year 1989 for Resource Conservation and Development loans?

Mr. **Ausman**. As of the beginning of fiscal year 1989, we had one application for $120,000 for Resource Conservation and Development assistance on hand.

Mr. **Whitten**. How many are currently pending?

Mr. **Ausman**. Our records indicate that one Resource Conservation and Development application is currently pending.

Mr. **Whitten**. The Secretary is expanding the Resource Conservation and Development program as part of the President's Rural Development Initiative. Isn't the proposal to terminate these loans from Agriculture Credit Insurance Fund inconsistent with what both the Secretary and the President are proposing?

Mr. **Ausman**. The Resource Conservation and Development program is not included in the Presidential Initiative on Rural Development. While the 1991 budget does recommend increasing the Resource Conservation and Development areas from 194 to 196, the budget assumes these projects can be developed with private sector funding.

STATE MEDIATION GRANTS

Mr. **Whitten**. Please provide for the record a list of all state mediation grants made to date for fiscal years 1989 and 1990.

Mr. **Ausman**. Mr. Chairman, 16 States had USDA Certified State Agricultural Loan Mediation Programs in FY 1989 and all 16 States were approved for mediation grants totalling $3,000,000. Currently, for FY 1990 all 16 States were recertified and have been approved to receive matching grants totaling $3,036,340. The States and grant amounts will be provided for the record.

[The information follows:]

FARMERS HOME ADMINISTRATION STATE MEDIATION GRANT PROGRAM—RECIPIENT STATES AND AMOUNTS OF GRANTS FOR FISCAL YEAR 1989 AND FISCAL YEAR 1990 AS OF MAR. 7, 1990

State	Amount 1989	Amount 1990
Alabama	$110,200	$170,840
Indiana	29,090	37,340
Iowa	305,000	255,890
Kansas	431,150	451,990
Minnesota	500,000	500,000
Mississippi	75,040	81,160
Montana	75,000	15,000
Nebraska	168,140	177,650
New Mexico	55,050	59,500
North Dakota	260,020	375,000
Oklahoma	269,870	262,760
South Dakota	97,000	92,360
Texas	500,000	427,970
Utah	12,000	10,000

FARMERS HOME ADMINISTRATION STATE MEDIATION GRANT PROGRAM—RECIPIENT STATES AND AMOUNTS OF GRANTS FOR FISCAL YEAR 1989 AND FISCAL YEAR 1990 AS OF MAR. 7, 1990—Continued

State	Amount 1989	Amount 1990
Wisconsin	87,440	93,880
Wyoming	25,000	25,000
U.S. total	3,000,000	3,036,340

Mr. WHITTEN. What is your basis for proposing a $1,456,000 reduction in the state mediation grants for fiscal year 1991?

Mr. AUSMAN. Mr. Chairman, the proposed level of $2 million for FY 1991 reflects the anticipated level of state mediation grants which may be required after FmHA completes a large number of initial requests for FmHA debt restructuring. Also, only 16 states have qualified to date and we question our funding of such a limited number of states.

Mr. WHITTEN. What ongoing grants would be affected and by what amounts?

Mr. AUSMAN. We anticipate little or no effect on ongoing grants since FmHA will have completed the large number of initial requests for FmHA debt restructuring by the end of fiscal year 1991.

INTEREST RATE BUYDOWN PROGRAM

Mr. WHITTEN. Obligations under the interest rate buydown program total $15.4 million in fiscal year 1989 and are estimated to be $50.0 million for fiscal year 1990. What do they total to date for fiscal year 1990?

Mr. AUSMAN. Obligations under the interest rate buydown program for fiscal year 1990 amounted to $5.0 million as of March 7.

Mr. WHITTEN. How realistic is the estimate of $50.0 million for fiscal year 1991?

Mr. AUSMAN. We recognize that the estimate of $50.0 million is high. However, as lenders become more familiar with our guaranteed loan program we hope that they will utilize the interest rate buydown program in order to qualify borrowers for guaranteed loans.

OPERATION ASSIST

Mr. WHITTEN. Please provide for the record a copy of your instructions to the field regarding Operation Assist.

Mr. AUSMAN. Operation Assist was first instituted by the FmHA Administrator in May 1986 during a teleconference with State Directors. It was later expanded upon in unnumbered letters from the Administrator to State Directors in March, April, and December of 1987. A copy of the December 22, 1987, letter will be provided for the record.

We are currently developing an Administrative Notice (AN) which will update and better define the actions which local FmHA personnel must take with regards to Operation Assist.

[The information follows:]

DEC 2 2 1987

SUBJECT: Operation Assist

TO: All State Directors, State Directors-at-Large,
and Farmer Program Chiefs, FmHA

The purpose of this letter is to re-emphasize the "Operation Assist" program and to provide new guidence concerning the further implementation of this program. The intended outcome is maximum utilization of the guaranteed operating (OL) loan program.

In emphesizing Farmers Home Administration's (FmHA) shift from direct lending to guaranteed lending, we must continue maximum utilization of "Operation Assist" to conserve our limited insured OL loan funds. As you know, "Operation Assist" is a referral and outreach program that will help farmers obtain operating credit under FmHA's guaranteed OL loan program. "Operation Assist" must be utilized at the beginning and throughout the lending season.

In accordance with items 1. and 2. setforth below, FmHA field personnel will hand carry complete insured OL loan application packages to a prospective lender, where the applicant has been determined eligible for insured loan assistance; personally introduce the applicant; and discuss the possibility of a guaranteed loan with at least one local lender. A complete package will include: cash flow projections, financial statements, appraisals, and all other pertinent data. This data is necessary so the lender can make an immediate decision regarding the acceptance of the request for a guaranteed OL loan.

In cases where the applicant is unable to accompany field personnel to the local lender with the application package, field staff will obtain written permission from the applicant to discuss the financial information with the lender. This will preclude any possible violation of the Privacy Act or Freedom of Information Act.

Loan applications will be processed as follows:

1. All new applicants for insured CL loans, who are presently farming, will be processed through "Operation Assist." If the applicant has a cash flow margin of ten percent or more, and was initially rejected by a lender for an operating loan, the application will be re-submitted to the lender for consideration for a guaranteed CL loan.

2. Existing borrowers indebted for insured CL loans, who are eligible at regular CL loan interest rates and have cash flow margins of ten percent or more, will be considered for guaranteed CL loans through "Operation Assist."

3. Existing borrowers indebted for insured CL loans, who need limited resource interest rates to cash flow will not be processed through "Operation Assist."

When an insured loan application has been processed through "Operation Assist" and accepted by the lender, the lender will then complete the appropriate guaranteed loan application package, with assistance from the county supervisor, and submit it to the county office.

All rejections for guaranteed loans must be fully documented in the running case record.

It is imperative that we work diligently with our local lenders to place every possible dollar with commercial credit sources and utilize our FY 1986 insured and guaranteed funds to the maximum extent possible.

/S/ VANCE L. CLARK

VANCE L. CLARK
Administrator

Mr. WHITTEN. What follow-up has been done by the agency to ensure that the field offices are actually working with borrowers to help them obtain guaranteed operating loans?

Mr. AUSMAN. A variety of follow-up measures have been used to ensure that county offices work with borrowers to obtain guaranteed loans.

First, annual goals have been established for each state to emphasize use of the guaranteed program. Movement toward these goals is regularly monitored by senior FmHA management.

Second, we monitor through FmHA's internal control process, Coordinated Assessment Reviews of individual state's compliance with FmHA regulations, to see that all direct loan files show documentation of the unavailability of guaranteed credit.

Third, National Office staff perform regular program reviews to examine county office procedures and discuss the guaranteed programs' successes and weaknesses with local lenders and FmHA staff.

And finally, the new AN discussed in the previous question will reinstate the requirement for weekly reporting from the county offices.

ADMINISTRATIVE EXPENSES

Mr. WHITTEN. According to pages 14-56 through 14-58 of the explanatory notes, the administrative expenses of the ACIF will total $134,253,000 in fiscal year 1989, $162,151,000 in fiscal year 1990 and $176,518,000 in fiscal year 1991. What types of activities and costs qualify as administrative expenses?

Mr. AUSMAN. These amounts include funds transferred to Farmers Home Salaries and Expenses for Emergency Programs, Farm Credit Servicing, the National Appeals Staff, as well as other expenses charged directly to revolving funds primarily for automated data processing expenses. The types of activities include: making and servicing Emergency and other Farm loans; operating the National Appeals Staff; and purchasing automated data processing equipment and services.

Mr. WHITTEN. How many people are supported by these administrative expenses?

Mr. AUSMAN. The Agricultural Credit Insurance Fund administrative expenses transferred to the Salaries and Expenses account FmHA staff years as follows: 2,620 in fiscal year 1989; 3,255 in fiscal year 1990; and 3,340 in fiscal year 1991. These staff years are used for operating for emergency programs, farm credit servicing and the National Appeals Staff.

Mr. WHITTEN. In the fiscal year 1989 President's Budget, what was the fiscal year 1989 estimate for administrative expenses? Please explain any difference.

Mr. AUSMAN. The fiscal year 1989 Budget estimate for administrative expenses transferred from ACIF was $55,238,000 which did not include funds for additional farm credit servicing or the National Appeals Staff. Last year, the fiscal year 1989 estimate in the 1990 President's Budget for these expenses was $108,978,000 and the increase was due primarily to adding additional farm credit servicing and the National Appeals Staff. The actual 1989 expense of $134,253,000 is greater than last year's 1989 estimate since it includes $34,822,000 of expenses charged directly to the revolving fund primarily for automated data processing activities. These are not necessarily increased funds but are now being shown under the one heading of "Administrative Expenses."

RURAL DEVELOPMENT INSURANCE FUND

WASTEWATER TREATMENT NEEDS

Mr. WHITTEN. According to page 14g–6 of the explanatory notes, an EPA survey indicates that rural areas with a population below 10,000 need approximately $17 billion for wastewater treatment facilities for these systems to be brought into compliance with the Clean Water Act of 1977. In view of this known need, how can you justify your proposal to reduce the amount of funds available for this purpose?

Mr. AUSMAN. FmHA recognizes the needs of rural communities to bring their wastewater treatment facilities into compliance with the Clean Water Act of 1977.

The Department established its Rural Development Initiative in 1987 to reevaluate and redirect financial assistance to low income and very low income communities who will have the hardest time meeting the requirements of the Clean Water Act of 1977. The 1991 budget reflects the Administration's continuing concern by proposing funding for direct water and waste disposal loans and grants and guaranteed water and waste disposal loans.

AREA COVERAGE

Mr. WHITTEN. The report accompanying the fiscal year 1990 Appropriations Act requires that 30 percent of the funds available for water and sewer grants and loans be used for expansion of existing systems. What was done in fiscal year 1989 to meet this requirement and what is being done during fiscal year 1990?

Mr. AUSMAN. In fiscal year 1989, 65 percent of the funds available for water and sewer loans and 53 percent of the funds available for water and sewer grants were used to finance expansion, replacement, or renovation of existing systems.

In fiscal year 1990, FmHA has, at the direction of the House Committee on Appropriations, requested that each State develop a plan to provide for expansion of existing systems.

WATER AND SEWER LOANS

Mr. WHITTEN. What applications are currently on hand for water and sewer loans?

Mr. AUSMAN. As of March 12, 1990, FmHA had on hand 1,376 water and waste disposal loan preapplications and applications totalling $1,041.2 million.

Mr. WHITTEN. How many guaranteed water and sewer loans have been made to date in fiscal year 1990?

Mr. AUSMAN. To date, no guaranteed water and waste loans have been made by FmHA in fiscal year 1990.

Regulations will be published in the Federal Register on March 26, 1990. Upon publication, FmHA will implement the programs for guaranteed water and waste loans. A special procedure notice, administrative notice, and a news article will be issued at the same time to give additional guidance to the field offices and to inform the public on implementation of the program.

Mr. WHITTEN. Why are you projecting a lower program level in fiscal year 1991 for guaranteed loans?

Mr. AUSMAN. Since the program is just getting started it is difficult to estimate the level of activity. We believe the Fiscal Year 1991 budget level is sufficient to meet the potential demand until lenders become familiar with the program.

Mr. WHITTEN. Please provide for the record a ten-year table showing the number and dollar amount of water and sewer loans made by fiscal year.

[The information follows:]

FARMERS HOME ADMINISTRATION—WATER AND WASTE DISPOSAL LOANS OBLIGATED, FISCAL YEAR 1980 THROUGH FISCAL YEAR 1989

[In thousands of dollars]

	Number of loans	Amount
Fiscal year:		
1980	1,825	$700,000
1981	1,768	750,000
1982	928	375,000
1983	1,184	600,000
1984	645	270,000
1985	783	340,000
1986	698	325,380
1987	679	330,380
1988	662	330,380
1989	679	332,880

BUSINESS AND INDUSTRY LOANS

Mr. WHITTEN. Please provide for the record a ten-year table showing the number and dollar amount of business and industry loans made, by fiscal year, separately indicating direct and guaranteed loans.

[The information follows:]

FARMERS HOME ADMINISTRATION—DIRECT AND GUARANTEED B&I LOANS OBLIGATED, FISCAL YEAR 1980 THROUGH FISCAL YEAR 1989

[Dollar amounts in thousands]

	Direct		Guaranteed	
	Number	Amount	Number	Amount
Fiscal year:				
1980	11	$7,830	1,149	$1,065,937
1981	1	70	637	652,210
1982			74	125,078
1983			64	81,912
1984			75	124,352
1985			54	61,338
1986			37	54,803
1987			67	95,700

FARMERS HOME ADMINISTRATION—DIRECT AND GUARANTEED B&I LOANS OBLIGATED, FISCAL YEAR 1980 THROUGH FISCAL YEAR 1989—Continued

[Dollar amounts in thousands]

	Direct		Guaranteed	
	Number	Amount	Number	Amount
1988			85	95,415
1989			88	95,677

Mr. WHITTEN. How many of these loans and what dollar amount have gone bad since the inception of the program?

Mr. AUSMAN. As of December 31, 1989, losses have been paid on 1,172 loans for a total dollar amount of $563 million.

Mr. WHITTEN. What percent of the loans are currently delinquent and what is the dollar amount of the delinquency?

Mr. AUSMAN. As of December 31, 1989, there were 262 delinquent guaranteed loan borrowers which represent 17.9 percent of the total number of guaranteed business and industry loan borrowers. The amount of delinquency is $209.3 million.

Direct borrowers delinquent were six for a delinquency rate of 27 percent and an associated delinquency amount of $677,000.

B&I DISASTER ASSISTANCE

Mr. WHITTEN. Under three different laws you were provided a total of $500,000,000 for B&I disaster assistance. This authority remains available until expended. How much of this authority has been used to date?

Mr. AUSMAN. As of March 14, 1990, there have been 19 loans obligated for a total of $7,167,000.

Mr. WHITTEN. How much remains available by law?

Mr. AUSMAN. Of the $500,000,000 appropriated, $492,833,000 remains unobligated.

Mr. WHITTEN. What is pending in the way of applications?

Mr. AUSMAN. As of March 14, 1990, there were 22 preapplications and applications pending, at the State level, in the amount of $11.2 million.

Mr. WHITTEN. Is this authority available only for disaster assistance or can it be used for other purposes?

Mr. AUSMAN. This authority may only be used for disaster assistance. Disaster Assistance for Rural Business Enterprises—DARBE—guaranteed loans can be utilized to assist businesses in relieving financial distress caused by drought, freeze, storm, excessive moisture, or related conditions in 1988 and 1989. The DARBE regulations are being revised to include earthquakes as an eligible natural disaster. Drought and Disaster guaranteed loans assist businesses in relieving financial distress caused by drought, hail, excessive moisture or related disasters in 1988.

ASSET SALES

Mr. WHITTEN. During fiscal year 1989 and to date for fiscal year 1990, what loans have been sold from the RDIF?

Mr. AUSMAN. A summary of the loans sold under the FY 1989 Discount Purchase Program is submitted for the record. No loans have been sold to date for fiscal year 1990.

[The information follows:]

UNITED STATES DEPARTMENT OF AGRICULTURE
FARMERS HOME ADMINISTRATION

FISCAL YEAR 1989 DISCOUNT PURCHASE PROGRAM

STATEWIDE RECAP
GRAND TOTAL

STATE	# BORROWERS	# LOANS	TOTAL ADJUSTED UNPAID PRINCIPAL	WD AVG FACTOR	TOTAL DISCOUNT PRICE
ALABAMA	49	110	32,587,896.95	64.820	21,123,464.68
ARIZONA	6	10	9,162,699.36	71.579	6,558,596.92
ARKANSAS	40	77	40,412,321.23	65.784	26,584,880.98
CALIFORNIA	21	35	20,712,449.51	67.803	14,043,716.84
COLORADO	23	37	7,844,031.14	65.841	5,164,561.05
CONNECTICUT	7	14	12,022,170.91	70.935	8,527,985.52
DELAWARE	2	3	7,556,779.82	72.279	5,461,975.71
FLORIDA	18	58	36,650,067.47	62.326	22,842,620.98
GEORGIA	23	48	38,288,646.63	67.623	25,891,880.18
IDAHO	10	17	3,323,896.03	70.193	2,333,149.62
ILLINOIS	46	61	18,423,115.48	68.297	12,582,497.67
INDIANA	59	99	44,900,139.47	68.708	30,849,796.18
IOWA	53	102	66,299,762.38	58.650	38,884,664.60
KANSAS	47	85	25,651,630.68	67.394	17,287,639.65
KENTUCKY	33	81	47,362,482.81	66.858	31,665,823.74
LOUISIANA	55	107	57,717,743.47	65.591	37,857,699.42
MAINE	25	40	22,510,419.18	70.252	15,814,079.91
MARYLAND	14	23	14,203,043.88	65.813	9,347,511.32
MASSACHUSETTS	9	12	3,832,784.80	77.514	2,970,952.93
MICHIGAN	41	55	42,374,101.36	68.738	29,127,185.53
MINNESOTA	74	104	21,979,921.09	71.734	15,767,102.28
MISSISSIPPI	90	233	60,121,594.55	71.512	42,993,892.64
MISSOURI	65	147	50,966,773.38	71.328	36,353,637.26
MONTANA	19	20	9,021,923.06	65.222	5,884,320.31
NEBRASKA	30	43	11,450,585.96	65.779	7,532,088.64
NEVADA	4	5	2,786,912.97	66.032	1,840,244.48
NEW HAMPSHIRE	6	8	2,736,068.30	73.451	2,009,667.79
NEW JERSEY	9	14	24,421,466.87	67.717	16,537,544.93
NEW MEXICO	12	18	1,471,486.21	64.004	941,813.97
NEW YORK	60	102	68,364,610.66	69.507	47,518,370.99
NORTH CAROLINA	102	164	98,362,767.75	61.793	60,781,709.95
NORTH DAKOTA	31	83	40,341,994.51	58.187	23,473,935.80
OHIO	31	69	75,939,113.77	65.077	49,419,061.73
OKLAHOMA	130	332	79,879,617.45	62.335	49,792,990.21
OREGON	9	20	11,772,678.08	64.758	7,623,735.39
PENNSYLVANIA	38	48	49,404,424.94	64.231	31,733,073.31
RHODE ISLAND	1	2	2,725,393.67	80.160	2,184,676.29
SOUTH CAROLINA	41	110	86,989,975.42	67.703	58,894,576.73
SOUTH DAKOTA	21	55	40,756,177.70	59.683	24,324,503.80
TENNESSEE	72	195	86,361,019.66	69.160	59,727,129.51
TEXAS	157	372	117,135,734.25	62.810	73,572,956.63
UTAH	16	25	5,841,221.83	58.655	3,426,143.35
VERMONT	3	5	812,478.44	71.351	579,708.58
VIRGINIA	34	67	49,019,755.94	65.617	32,165,532.32
WASHINGTON	17	30	6,119,898.89	68.283	4,178,845.39

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                                        UNITED STATES DEPARTMENT OF AGRICULTURE
                                            FARMERS HOME ADMINISTRATION

                                        FISCAL YEAR 1989 DISCOUNT PURCHASE PROGRAM

STATEWIDE RECAP
GRAND TOTAL

  STATE                      #         #             TOTAL ADJUSTED  WD AVG        TOTAL
                         BORROWERS   LOANS          UNPAID PRINCIPAL FACTOR  DISCOUNT PRICE

WEST VIRGINIA               14        15              4,801,629.92  60.571     2,908,400.03
WISCONSIN                   42        74             30,218,776.57  69.080    20,875,272.61
WYOMING                      7         7              1,439,062.73  60.085       864,658.92
ALASKA                       5         6              3,942,839.74  61.717     2,433,404.55
HAWAII                       0         0                      0.00    .000             0.00
WEST PAC TERR                1         1              3,262,131.34  54.393     1,774,371.09
PUERTO RICO                  6        19             28,459,297.69  61.505    17,503,753.17
VIRGIN ISLANDS               0         0                      0.00    .000             0.00

GRAND NATIONAL TOTAL      1728      3467          1,628,743,515.90  65.728 1,070,537,806.08

GRAND TOTALS
BORROWERS  1728 LOANS  3467 ADJ UNPAID PRINCIPAL 1,628,743,515.90  WEIGHTED PRICING FACTOR  65.728 DISCOUNT PRICE 1,070,537,806.08
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FEES

Mr. **Whitten**. What fees were paid in connection with these sales? To whom were they paid and what was the purpose of the payment?

Mr. **Ausman**. Farmers Home paid $474,194 to Manufacturers Hanover Securities Corporation, in its capacity as financial advisor, in connection with the FY 1989 Borrowers Discount Purchase Program, the loan substitutions from the FY 1987 securitized loan sale and other financial advisory services related to loan sales.

FURTHER SALES

Mr. **Whitten**. What sales are planned during the remainder of fiscal year 1990 and for fiscal year 1991?

Mr. **Ausman**. The "Technical Corrections in Agriculture Programs Act," Public Law 101-220, provides that during FY 1990 Community Programs borrowers that made good faith deposits in connection with the FY 1989 Borrower Discount Purchase Program, but were unable to complete the transaction, be given another 150 days to do so. This offer affects 95 borrowers with loans outstanding totalling approximately $77 million. We do not yet know how many of the affected borrowers will participate. No loan sales are planned during FY 1991.

No new rural housing loan sales are planned for FY 1990 and 1991. Farmers Home is planning to sell during FY 1990 its investment in the subordinated securities that were acquired as part of the proceeds from the fiscal year 1987 securitized loan assets sale.

Mr. **Whitten**. What was the discount on the loans sold in fiscal year 1989?

Mr. **Ausman**. The average discount was approximately 34 percent.

Mr. **Whitten**. What was the discount on the loans sold in fiscal year 1990?

Mr. **Ausman**. No loans have been sold to date in FY 1990. We expect the average discount to the borrowers covered by the Borrower Discount Purchase Program to be similar to the FY 1989 average discount of 34 percent.

COMMUNITY FACILITY LOANS

Mr. **Whitten**. Please provide for the record a ten-year table showing the number and dollar amount of community facility loans made by fiscal year.

[The information follows:]

FARMERS HOME ADMINISTRATION—COMMUNITY FACILITY LOANS OBLIGATED, FISCAL YEAR 1980 THROUGH FISCAL YEAR 1989

[Dollar amounts in thousands]

	Number of loans	Amount
Fiscal year:		
1980	674	$240,000
1981	862	260,000
1982	267	126,191
1983	208	130,000

FARMERS HOME ADMINISTRATION—COMMUNITY FACILITY LOANS OBLIGATED, FISCAL YEAR 1980 THROUGH FISCAL YEAR 1989—Continued

[Dollar amounts in thousands]

	Number of loans	Amount
1984	173	129,999
1985	214	115,000
1986	192	95,700
1987	217	95,700
1988	234	95,700
1989	304	95,700

Mr. WHITTEN. How many direct and guaranteed community facility loans have been made to date during fiscal year 1990?

Mr. AUSMAN. As of March 12, for fiscal year 1990 we have made 104 direct community facilities loans for the amount of $36.6 million. No guaranteed community facility loans have been made thus far. We expect to publish regulations in the Federal Register for the implementation of the guaranteed community facility loan program on March 26, 1990.

Mr. WHITTEN. How many applications are currently pending?

Mr. AUSMAN. As of March 12, there are 291 community facility loan preapplications and applications pending for a total amount of $227.6 million.

FFB PREPAYMENT PENALTY

Mr. WHITTEN. On page 14-82 of the explanatory notes you are showing a FFB prepayment penalty of $341,549,000. Would you please explain this entry?

Mr. AUSMAN. This amount represents the premium paid to FFB on the repurchase of Certificates of Beneficial Ownership—CBOs—in connection with the FY 1989 Borrower Discount Purchase Program. As with previous asset sales, FmHA repurchased from the FFB an amount of CBOs representing the loans that were sold. These CBOs were repurchased in advance of their stated maturity date. FmHA's agreement with the FFB requires that the price for such repurchases be based on the equivalent of the current market value of the CBOs. The current market value depends on the interest rate and remaining term of the CBOs and the Treasury interest rates at the time of repurchase. The particular CBOs chosen for repurchase were those that would minimize as much as possible the cost of repurchase.

Mr. WHITTEN. What is the "other" expense totaling $1,597,073,000 for fiscal year 1989 and what is the "other" receipt of $1,601,698,000?

Mr. AUSMAN. Current accounting procedures process the reimbursement for loss for the Rural Development Insurance Fund via a warrant issued by the Department of the Treasury to an annual account instead of the no year account. As a result the $1,596,047,000 reimbursement for loss is reflected in both "Other Expenses" and "Other Receipts" for fiscal year 1989.

RURAL HOUSING INSURANCE FUND

FAMILIES ASSISTED

Mr. WHITTEN. How many families would be assisted in fiscal years 1990 and 1991 under the various housing programs funded by the Rural Housing Insurance Fund?

Mr. AUSMAN. We will provide a table for the record.

[The information follows:]

FARMERS HOME ADMINISTRATION
Summary of Rural Housing Programs
(Dollar Amount in Thousands)

Program	1989 Actual 1/ Units	1989 Actual Avg. Unit Cost	1989 Actual Number of Obliga-tions	1989 Actual Dollar Amount	1990 Estimate 1/ Units	1990 Estimate Avg. Unit Cost	1990 Estimate Number of Obliga-tions	1990 Estimate Dollar Amount	1991 Estimate 1/ Units	1991 Estimate Avg. Unit Cost	1991 Estimate Number of Obliga-tions	1991 Estimate Dollar Amount
Rural Housing Insurance Fund												
Section 502 Single-Family Housing:												
Low-Income housing												
Subsidized	24,788	$50,256	33,471	$1,245,736	23,830	$52,321	32,350	$1,246,804	10,100	$57,129	18,080	$577,000
Unsubsidized	476	$27,398	476	$13,041	1,750	$28,571	1,750	$50,000	670	$29,851	670	$20,000
Unsubsidized low or moderate income loans for servicing of assumptions	--	--	1,505	$8,086	--	--	2,510	$14,000	--	--	2,000	$12,000
Total, Insured Section 502	25,264	$50,145	35,452	$1,266,863	25,580	$51,243	36,610	$1,310,804	10,770	$56,546	20,750	$609,000
Section 502 Guaranteed loans												
Subsidized	--	--	--	--	--	--	--	--	6,460	$45,975	6,460	$297,000
Unsubsidized	--	--	--	--	--	--	--	--	6,670	$44,528	6,670	$297,000
Total, Guaranteed Sect. 502	--	--	--	--	--	--	--	--	13,130	$45,240	13,130	$594,000
Total, Section 502	25,264	$50,145	35,452	$1,266,863	25,580	$51,243	36,610	$1,310,804	23,900	$50,335	33,880	$1,203,000
Section 515 Rural Rental Housing Subsidized loans	15,996	$34,692	759	$554,934	15,860	$36,057	750	$571,870	10,450	$35,708	600	$391,000
Section 521 Rental Assistance Program												
Renewals, servicing and new construction units	14,875	11,047	2,090	$275,302	15,211	11,197	2,193	$296,317	13,962	11,627	2,900	$158,000
New rental units counted under other FmHA programs 2/	(10,046)				(11,252)				(8,250)			
Section 502(c)(5)(D) Rental Assistance Program 2/												
In lieu of forgiveness	8	$11,047	1	$88	452	$11,047	50	$5,000	1,035	$11,400	100	$11,800
Section 514 Farm Labor Housing loans 3/	406	$51,547	70	$11,446	445	$53,299	66	$11,321	465	$55,643	[illegible]	$18,250
Section 504 Very Low Income Housing Repair loans	3,041	$3,701	3,417	$11,254	2,860	$3,907	3,260	$11,173	2,750	$4,036	3,140	$11,100
Section 524 Rural Housing Site loans	--	--	1	$428	--	--	2	562	--	--	--	--
TOTAL, Rural Housing Insurance Fund	59,588	$35,583	41,810	$2,120,316	60,408	$36,536	42,928	$2,207,047	53,067	$35,550	39,750	[illegible]
Section 516 Farm Labor Housing Grants												
Grants 3/	--	--	6	$9,379	--	--	8	$12,397	--	--	6	$9,424
Contracts	--	--	5	$355	--	--	6	$562	--	--	4	$318
Section 523 Mutual and Self-Help Housing												
Grants 4/	--	--	26	$8,306	--		43	$14,293	--			
Contracts	--	--	9	$1,894	--	--	5	$1,200	--			
Section 504 Very Low Income Housing Repair Grants	2,993	$4,176	3,684	$12,500	2,875	$4,348	3,342	12,500	2,160	$4,630	2,720	$10,000
Self-Help Land Development Fund												
Section 523 Site Loans	--	--	1	500	--	--	1	500	--	--	--	--
Rural Housing Voucher Program	--	--	--	--	--	--	--	--	8,000	$23,741	80	$189,928
Compensation for Construction Defects	--	--	69	314	--	--	145	500	--	--		--
Section 533 Rural Housing	4,500	$4,253	158	$19,140	4,330	$4,420	152	$19,140	3,255	$4,608	114	$15,000
TOTAL, RURAL HOUSING PROGRAMS	67,081	$32,389	45,768	$2,172,705	67,613	$33,546	46,830	$2,268,317	66,462	$31,839	42,674	$2,116,078

1/ Numbers in the "units" columns represent housing units provided by FmHA. Each housing unit is capable of accommodating one family, although average family size varies among programs. Numbers in parentheses reflect assistance to housing units which are recorded under other programs.

2/ Rural Rental Housing Assistance units for new construction are made in conjunction with and are counted under the Rural Rental Housing loan program or Farm Labor Housing loan program.

3/ Farm labor grants are made in conjunction with loans and the units provided are shown under the loan program. Average unit cost calculation based on total amount of loan and grant programs.

4/ Self-help grants provide funds for technical assistance rather than actual construction. The loan funds are usually provided under the section 502 program, therefore, the units assisted are recorded as units financed by section 502.

VOUCHER PROGRAM

Mr. **Whitten**. You are proposing to assist 8,000 units or families under the voucher program. Last year you proposed to assist 20,000 units or families. Why is this year's proposal so different from last year's?

Mr. **Ausman**. Our 1991 rural housing voucher proposal of 8,000 units will serve as a complement to what we feel is a well balanced multitiered housing program consisting of direct loans with and without subsidy, guaranteed loans with and without subsidy, and rental assistance and vouchers to serve the very low income who cannot be reached with a subsidized loan. The vouchers are intended to be used where there are sufficient housing stock available for rent. Previous voucher proposals would have replaced our traditional programs of direct loans and grants.

SEC. 502 LOANS

Mr. **Whitten**. Would you please provide for the record a table showing the number and dollar amount of Sec. 502 loans made, by year, for the last ten years?

[The information follows:]

FARMERS HOME ADMINISTRATION—SEC. 502 DIRECT RURAL HOUSING LOANS OBLIGATED, FISCAL YEAR 1980 THROUGH FISCAL YEAR 1989

[Dollar amounts in thousands]

Fiscal	Number of loans	Amount
Fiscal year:		
1980	104,821	$2,844,606
1981	88.922	2,585,282
1982	80,449	2,478,219
1983	66,439	2,138,277
1984	56,126	1,844,137
1985	51,962	1,789,553
1986	36,210	1,155,347
1987	33,612	1,143,926
1988	35,508	1,270,803
1989	35,452	1,266,863

SEC. 515 LOANS

Mr. **Whitten**. Would you please provide for the record a table showing the number and dollar amount of Sec. 515 loans made, by year, for the last ten years?

[The information follows:]

FARMERS HOME ADMINISTRATION—SEC. 515 RURAL RENTAL HOUSING LOANS OBLIGATED, FISCAL YEAR 1980 THROUGH FISCAL YEAR 1989

[Dollar amounts in thousands]

	Number of loans	Amount
Fiscal year:		
1980	1,539	$881,336
1981	1,466	864,765
1982	1,428	953,668

FARMERS HOME ADMINISTRATION—SEC. 515 RURAL RENTAL HOUSING LOANS OBLIGATED, FISCAL YEAR 1980 THROUGH FISCAL YEAR 1989—Continued

[Dollar amounts in thousands]

	Number of loans	Amount
1983	1,195	801,997
1984	1,264	919,002
1985	1,242	903,336
1986	921	652,348
1987	744	554,899
1988	722	554,936
1989	759	554,934

PILOT PROJECTS FOR LOAN SERVICING

Mr. WHITTEN. What is the current status of the Puerto Rico and Wisconsin servicing projects?

Mr. AUSMAN. The servicing and collection contract with Great Atlantic Mortgage in Puerto Rico will expire in March 1990. Based upon the success of this contract, FmHA is planning to enter into a new servicing contract. However, we structured the new contract to be more comprehensive in scope while still achieving the same objectives as the original contract. We are presently evaluating bids received.

Farmers Home Administration is working with GC Services Limited Partnership on developing a billing, escrow and accounting system for 14,000 borrowers in Wisconsin. However, due to the complexity of the FmHA accounting system, implementation scheduled for January 1990 was delayed.

Mr. WHITTEN. Did you resume servicing in South Carolina as planned?

Mr. AUSMAN. The contract with GC Services Limited Partnership in South Carolina expired in October 1989. At that time, the borrower accounts were reassigned to FmHA.

Mr. WHITTEN. Does the Farmers Home Administration plan to enter into any other servicing agreements, either in fiscal year 1990 or fiscal year 1991?

Mr. AUSMAN. As mentioned before, in fiscal year 1990, we are initiating a new servicing contract in Puerto Rico. Presently, we are evaluating bids received. This will be a one year contract with an option to renew each year for 4 additional years. The Wisconsin escrow contract with GC Services will expire December 1990 with the option to renew, the same as the Puerto Rico contract. In addition, FmHA has contracted with GC Services to pilot a voluntary graduation program in seven states that would provide a small financial incentive to encourage eligible borrowers to refinance their loans through the private sector. FmHA pays three percent of the borrower's unpaid principal loan balance at loan closing to encourage refinancing. This project is presently underway in California, Michigan, New Jersey, New York, North Carolina, Florida, and Missouri. This is a one year contract with an option to renew each year for two additional years.

Mr. Whitten. Please update your record with respect to the servicing projects.

Mr. Ausman. The South Carolina contract with GC Services expired in October 1989 and the borrower accounts have been reassigned to FmHA. The Puerto Rico servicing contract expires March 1990. We are initiating a new contract and are presently reviewing bids received. The Wisconsin escrow project is behind schedule. An implementation date is not available at this time. The pilot graduation project in seven states with GC Services is ahead of schedule. As of December 1989, borrowers have voluntarily refinanced their FmHA debt amounting to $48.6 million. With a three percent financial incentive, based on three percent of the unpaid principal debt paid to the borrower and the contractor's fee, the project's cost to date is $2.2 million.

MOBILE HOME LOAN PROGRAM

Mr. Whitten. How many mobile home loans were made during fiscal year 1989 and in what dollar amount? Please provide this information by state.

[The information follows:]

MOBILE HOME LOANS OBLIGATED IN FISCAL YEAR 1989

State	Number of loans	Amount obligated
Arkansas	4	$144,500
Georgia	4	108,780
Kansas	1	38,750
Kentucky	1	32,100
Louisiana	4	150,450
Maryland	20	1,002,930
New Hampshire	4	313,400
New Mexico	2	80,440
Vermont	2	144,000
West Virginia	3	120,000
Total	45	2,135,350

Mr. Whitten. Have any been made to date for fiscal year 1990?

Mr. Ausman. Yes. As of February 28, 1990, we have made four loans.

Mr. Whitten. Were any Section 515 Loans made during fiscal year 1989 for manufactured housing?

Mr. Ausman. No, there were none made.

Mr. Whitten. Have any been made to date in fiscal year 1990?

Mr. Ausman. Yes, we have made one manufactured housing loan in the amount of $2,428,800 for a 70 unit project in the State of California. This loan was made under our demonstration housing program. It is the only demonstration housing loan in the 515 Rural Rental Housing program to date.

RECAPTURE PROVISION

Mr. Whitten. The 502 rural housing program has a recapture provision in the law. What has been your annual recapture for each of the last five years and what are your projections for fiscal years 1990 and 1991?

[The information follows:]

RECAPTURE INCOME—RURAL HOUSING INSURANCE FUND, FISCAL YEAR 1985 THROUGH FISCAL YEAR 1991, AND CUMULATIVE SINCE INCEPTION

[In thousands of dollars]

	Recapture	Cumulative recapture
Fiscal year:		
1985	10,603	22,322
1986	23,144	45,466
1987	47,053	92,519
1988	49,998	142,517
1989	47,198	189,715
1990 estimate	56,700	246,415
1991 estimate	86,400	332,815

NONSUBSIDIZED LOANS (FY 1989)

Mr. WHITTEN. What nonsubsidized Sec. 502 loans were made, by state, during fiscal year 1989?

[The information follows:]

FARMERS HOME ADMINISTRATION—NONSUBSIDIZED SEC. 502 HOUSING LOANS

[Obligations by State, fiscal year 1989]

State	Number	Amount
Alabama	47	$429,180
Alaska	5	16,200
Arizona	29	506,390
Arkansas	60	450,060
California	52	843,180
Colorado	24	124,370
Connecticut	5	176,200
Delaware	2	6,720
Florida	43	478,080
Georgia	50	493,670
Hawaii	1	47,300
Idaho	46	486,170
Illinois	107	1,343,710
Indiana	67	933,110
Iowa	82	799,060
Kansas	71	1,162,570
Kentucky	66	510,280
Louisiana	10	133,640
Maine	38	276,690
Maryland	13	49,400
Massachusetts	25	514,550
Michigan	40	398,580
Minnesota	13	116,780
Mississippi	105	1,016,160
Missouri	102	1,035,920
Montana	10	147,950
Nebraska	12	53,900
Nevada	3	27,170
New Hampshire	34	197,550
New Jersey	4	29,100
New Mexico	11	95,800
New York	35	423,950
North Carolina	137	975,000

FARMERS HOME ADMINISTRATION—NONSUBSIDIZED SEC. 502 HOUSING LOANS—Continued

[Obligations by State, fiscal year 1989]

State	Number	Amount
North Dakota	10	148,600
Ohio	58	1,192,680
Oklahoma	45	440,100
Oregon	24	228,030
Pennsylvania	93	818,150
Puerto Rico	4	54,000
Rhode Island	0	0
South Carolina	84	589,790
South Dakota	14	116,030
Tennessee	59	504,760
Texas	41	364,740
Utah	21	286.570
Vermont	30	126,600
Virginia	50	785,300
Virgin Islands	1	20,000
Washington	21	160,820
West Virginia	35	529,990
West Pacific Territory	10	115,250
Wisconsin	28	320,580
Wyoming	4	26,780
U.S. total	1,981	21,127,160

NONSUBSIDIZED LOANS (FY 1990)

Mr. WHITTEN. What loans have been made, by state, to date for fiscal year 1990?

[The information follows:]

FARMERS HOME ADMINISTRATION—NONSUBSIDIZED SEC. 502 HOUSING LOANS

[Obligations by State, fiscal year 1990 as of Mar. 1, 1990]

State	Number of loans	Amount
Alabama	23	$368,560
Alaska	4	40,750
Arizona	22	284,930
Arkansas	39	211,990
California	16	177,450
Colorado	11	76,970
Connecticut	1	2,500
Delaware	3	25,050
Florida	35	666,040
Georgia	25	187,580
Hawaii	1	10,000
Idaho	26	277,890
Illinois	77	1,523,320
Indiana	46	630,260
Iowa	32	529,080
Kansas	36	605,430
Kentucky	40	274,930
Louisiana	12	167,740
Maine	18	77,120
Maryland	8	23,270
Massachusetts	5	103,580
Michigan	21	253,690
Minnesota	9	197,170
Mississippi	45	464,410

FARMERS HOME ADMINISTRATION—NONSUBSIDIZED SEC. 502 HOUSING LOANS—Continued

[Obligations by State, fiscal year 1990 as of Mar. 1, 1990]

State	Number of loans	Amount
Missouri	51	568,200
Montana	11	126,960
Nebraska	14	169,690
Nevada	3	33,680
New Hampshire	22	116,820
New Jersey	7	59,450
New Mexico	6	44,860
New York	10	203,550
North Carolina	54	578,400
North Dakota	9	179,070
Ohio	27	673,370
Oklahoma	28	521,920
Oregon	13	92,910
Pennsylvania	44	578,110
Rhode Island	0	0
South Carolina	29	244,970
South Dakota	2	18,510
Tennessee	18	233,940
Texas	11	284,880
Utah	17	250,150
Vermont	11	41,580
Virginia	31	381,070
Washington	9	49,980
West Virginia	27	432,190
Wisconsin	14	254,910
Wyoming	7	72,500
Western Pacific Territories	8	77,390
Puerto Rico	3	48,840
Virgin Island	0	0
Total	1,041	13,517,610

USE OF NONSUBSIDIZED LOANS

Mr. WHITTEN. How are these funds being used?

Mr. AUSMAN. There are two general purposes for nonsubsidized lending under the section 502 program which are currently being funded. The first is for subsequent servicing-type loans to existing borrowers or to purchasers under assumption agreements or credit sales of previously financed properties. The second is for initial loans to low- and very low-income applicants who are otherwise eligible for the program, but based on the Agency's interest credit formula, do not require a subsidy in the form of interest credit.

DOMESTIC FARM LABOR HOUSING (SEC. 514)

Mr. WHITTEN. Would you please provide for the record a table showing the number and dollar amount of Sec. 514 loans made, by year, for the last ten years?

[The information follows:]

FARMERS HOME ADMINISTRATION—DOMESTIC FARM LABOR HOUSING LOAN OBLIGATIONS, FISCAL YEAR 1980 THROUGH FISCAL YEAR 1989

[Dollar amounts in thousands]

	Number of loans	Amount
Fiscal year:		
1980	196	$24,577
1981	250	18,548
1982	135	11,911
1983	68	3,994
1984	76	5,485
1985	117	17,588
1986	67	10,675
1987	44	10,686
1988	61	11,372
1989	70	11,446

HOUSING INVENTORY

Mr. WHITTEN. How many houses are currently in inventory, by state, and what is the total estimated value of this housing?

[The information follows:]

SINGLE FAMILY HOUSING PROPERTIES IN INVENTORY, BY STATE AS OF MAR. 15, 1990

State	Number of properties	Estimated market value
Alabama	378	$9,195,862
Alaska	54	2,486,200
Arizona	98	3,219,797
Arkansas	310	8,365,180
California	167	7,036,303
Colorado	203	6,604,305
Connecticut	1	104,400
Delaware	12	502,200
Florida	213	6,168,307
Georgia	314	8,940,130
Hawaii	4	155,000
Idaho	110	3,332,655
Illinois	136	3,108,105
Indiana	211	6,249,925
Iowa	38	1,123,680
Kansas	96	1,887,455
Kentucky	93	2,530,283
Louisiana	686	19,135,588
Maine	19	692,500
Maryland	18	746,900
Massachusetts	4	278,500
Michigan	143	4,123,331
Minnesota	73	1,890,600
Missouri	230	6,844,940
Mississippi	580	16,435,270
Montana	104	2,736,118
North Carolina	195	6,559,650
North Dakota	180	5,365,150
Nebraska	42	1,132,300
New Hampshire	5	310,000
New Jersey	40	1,901,900
New Mexico	198	6,054,990
New York	76	2,183,400
Nevada	8	380,000

SINGLE FAMILY HOUSING PROPERTIES IN INVENTORY, BY STATE AS OF MAR. 15, 1990—Continued

State	Number of properties	Estimated market value
Ohio	120	4,106,300
Oklahoma	379	9,283,129
Oregon	89	3,176,500
Pennsylvania	90	2,483,998
Puerto Rico	775	24,416,126
Rhode Island	0	0
South Carolina	373	11,062,297
South Dakota	26	719,690
Tennessee	281	8,414,690
Texas	582	15,948,385
Utah	64	1,918,530
Virgin Islands	4	149,700
Vermont	4	287,000
Virginia	137	4,293,560
Washington	59	2,026,390
West Pacific Territories	2	102,000
West Virginia	152	3,457,250
Wisconsin	105	3,035,894
Wyoming	74	2,093,680
U.S. Total	8,355	244,756,043

Mr. WHITTEN. Would you please provide for the record a ten-year table showing the number of houses in inventory at the end of each fiscal year and the estimated values?

[The information follows:]

SINGLE FAMILY HOUSING PROPERTIES IN INVENTORY, FISCAL YEARS 1980 THROUGH 1989

	Houses in inventory property	Estimated market value
Fiscal year:		
1989	9,111	$265,642,274
1988	12,330	379,191,240
1987	16,421	414,799,151
1986	13,751	414,767,000
1985	14,934	436,276,000
1984	13,277	(1)
1983	12,160	(1)
1982	13,060	(1)
1981	8,610	(1)
1980	6,982	(1)

[1] Data not available.

HOUSES SOLD FROM INVENTORY

Mr. WHITTEN. How many houses were sold from inventory, by state, in fiscal year 1989?

Mr. AUSMAN. I will provide that information for the record.

[The information follows:]

Single family housing inventory properties sold in fiscal year 1989

[Properties sold]

State:	
Alabama	570

Alaska	108
Arizona	152
Arkansas	827
California	250
Colorado	255
Connecticut	2
Delaware	16
Florida	591
Georgia	387
Hawaii	5
Idaho	404
Illinois	418
Indiana	484
Iowa	144
Kansas	253
Kentucky	383
Louisiana	807
Maine	54
Maryland	69
Massachusetts	2
Michigan	298
Minnesota	199
Mississippi	994
Missouri	417
Montana	192
North Carolina	392
North Dakota	301
Nebraska	149
New Hampshire	3
New Jersey	16
New Mexico	314
New York	100
Nevada	38
Ohio	252
Oklahoma	792
Oregon	366
Pennsylvania	189
Puerto Rico	182
Rhode Island	0
South Carolina	602
South Dakota	117
Tenneessee	622
Texas	791
Utah	177
Vermont	8
Virgin Islands	4
Virginia	250
Washington	259
West Pacific Territories	4
West Virginia	290
Wisconsin	313
Wyoming	170
U.S. total	14,982

Mr. **Whitten**. Please provide a ten-year table for the record showing the number and dollar amount of houses sold from inventory.

[The information follows:]

SINGLE FAMILY HOUSING PROPERTIES SOLD FROM INVENTORY, FISCAL YEARS 1980 THROUGH 1989

	Number of houses sold	Amount
Fiscal year:		
1989	14,982	418,242,877
1988	18,557	508,963,573
1987	17,592	491,658,442
1986	21,542	414,769,000
1985	15,602	([1])
1984	15,436	([1])
1983	15,503	([1])
1982	10,638	([1])
1981	7,081	([1])
1980	5,327	([1])

[1] Data not available.

RENTAL ASSISTANCE PAYMENTS IN LIEU OF DEBT FORGIVENESS

Mr. WHITTEN. You are requesting $11,800,000 for rental assistance in lieu of debt forgiveness, an increase of $6,800,000 above the amount available for fiscal year 1990. Please describe the workings of this program.

Mr. AUSMAN. The Tenant Displacement Prevention Provisions of the Housing and Community Development Act of 1987, provided for a debt forgiveness or other payments to assure that non-profit organizations purchasing housing to prevent prepayment could provide affordable rents to low-income tenants.

The House added language funding this authority at a $15 million level in the 1989 Appropriation Act. Under that language our General Counsel advised that FmHA could offer rental assistance in lieu of debt forgiveness to deliver the required assistance to tenants. As such, the Agency now offers rental assistance to non-profit organizations when it is needed to protect existing low-income tenants from rent increases that might arise from a non-profit organization's purchase, at market value, of a rental project from an owner who would otherwise want to prepay their loans.

SUBSIDIZED GUARANTEED LOANS

Mr. WHITTEN. On page 14-23 of the explanatory notes you state that the subsidy on guaranteed loans will be reevaluated each year. Does that supply to new loans only or will you reevaluate existing loans each year?

Mr. AUSMAN. FmHA will evaluate each borrower's income on an annual basis as long as that borrower is receiving subsidy assistance. The borrower's subsidy assistance will be based on current income. The borrower's eligibility for a given subsidy level will be established at the time the loan is made. Subsidy may increase or decrease over the life of the loan depending on the borrower's income.

Mr. WHITTEN. When you make a guaranteed loan for which you will subsidize the interest rate, how will that work? Will you send the bank a monthly or yearly check? Will it be an up front payment? What will be the mechanics of handling a guaranteed loan that is subsidized?

Mr. AUSMAN. FmHA will make monthly payments to the lender on behalf of the borrower on the payment due date. We envision that this payment will take place as an electronic banking transfer.

Mr. WHITTEN. What percent of the loan will be subsidized?

Mr. AUSMAN. Technically, the entire loan amount will be considered to be subsidized. As a part of the approval process for a guaranteed loan, the borrower's income will be determined. Based on the relationship between the borrower's income and the area median income, the borrower's subsidy will be used to keep the payments at an interest rate that the borrower can reasonably be expected to repay. Thus, the subsidy is the difference between the payment at the note rate of interest and the rate a borrower at that income level can afford to pay.

Mr. WHITTEN. What will be the term of these loans?

Mr. AUSMAN. Guaranteed rural housing loans will be 30 year loans.

ADMINISTRATIVE EXPENSES

Mr. WHITTEN. You are showing administrative expenses of $34,712,000 in 1989, $52,000,000 in 1990, and $46,700,000 in 1991. How are administrative expenses calculated? What qualifies as an administrative expense?

Mr. AUSMAN. The items you cite are the outlays registered under the Rural Housing Insurance Fund for administrative expenses. Primarily ADP equipment and software development expenses directly related to the Agency's delivery of its rural housing loan programs, and a $1,500,000 item each year which is eligible for transfer to Salary and Expenses authorized by appropriation language. They are directly related to the administrative expenses, on an obligation basis, which appears in the Program and Financing schedule in the Budget Appendix. The outlays for administrative expenses are generally projected over a two-year period so they differ from obligations.

SALE OF SUBORDINATED SECURITY INVESTMENT

Mr. WHITTEN. In fiscal year 1990 the agency proposes to sell its investment in subordinated securities that were acquired as part of the proceeds from the fiscal year 1987 securitized loan assets sale. How much has been sold to date?

Mr. AUSMAN. The investment instrument held by FmHA is in the form of a subordinated certificate. We now estimate that this certificate will be sold during May to July of 1990.

Mr. WHITTEN. How accurate is your estimate of $390,000,000?

Mr. AUSMAN. The estimate of $390 million was based on the financial markets during August 1989. The actual amount received will depend upon actual market conditions at the time of sale during the period of May to July of 1990, and to a limited extent, any specific sales structuring techniques that might be utilized to maximize sale proceeds.

Mr. WHITTEN. How will these sales be conducted?

Mr. AUSMAN. An underwriting group has been selected to conduct the sale. They currently are working with the rating agencies on obtaining a rating for the certificate. They also are considering which type of sales structure would result in highest proceeds. Options being explored are the sale of the certificate as is verses selling the certificate to a trust and then restructuring the investment.

WATER AND SEWER GRANTS

Mr. **Whitten**. How many applications do you presently have on hand for water and sewer grants, both in terms of number of applications and dollar amount?

Mr. **Ausman**. As of March 12, 1990, FmHA had on hand 648 water and sewer grant preapplications and applications totalling $390.1 million.

Mr. **Whitten**. Would you please provide for the record a table listing these applications by State?

[The information follows:]

WATER AND WASTE DISPOSAL APPLICATIONS -- GRANT SUMMARY

As of March 12, 1990

	PREAPPLICATIONS ON HAND		APPLICATIONS ON HAND	
	----GRANTS----		----GRANTS----	
STNAME	NBR	AMOUNT	NBR	AMOUNT
ALABAMA	21	$13,125,100	.	.
ALASKA	2	$1,125,000	.	.
ARIZONA	5	$1,798,500	3	$9,899,000
ARKANSAS	57	$34,594,172	15	$12,042,600
CALIFORNIA	18	$23,671,868	4	$1,863,907
COLORADO	6	$1,539,724	2	$1,071,500
CONNECTICUT	.	.	.	.
DELAWARE	.	.	.	.
FLORIDA	7	$9,984,800	6	$5,099,601
GEORGIA	14	$7,172,439	5	$1,576,025
HAWAII	.	.	.	.
IDAHO	3	$542,000	.	.
ILLINOIS	29	$13,803,482	1	$998,000
INDIANA	12	$11,592,803	7	$3,561,050
IOWA	18	$13,985,000	1	$113,000
KANSAS	17	$11,472,303	4	$5,354,447
KENTUCKY	63	$28,166,550	2	$481,000
LOUISIANA	22	$16,915,606	7	$2,771,900
MAINE	6	$6,936,400	.	.
MARYLAND	.	.	.	.
MASSACHUSETTS	2	$3,657,700	1	$466,800
MICHIGAN	13	$10,331,500	2	$2,800,000
MINNESOTA	7	$3,555,921	1	$2,000,000
MISSISSIPPI	34	$7,678,788	10	$2,650,300
MISSOURI	22	$12,045,742	5	$1,830,600
MONTANA	1	$61,685	3	$822,500
NEBRASKA	6	$514,960	5	$690,400
NEVADA	1	$2,202,000	.	.
NEW HAMPSHIRE	2	$1,050,000	.	.
NEW JERSEY	.	.	1	$1,555,000
NEW MEXICO	.	.	.	.
NEW YORK	4	$1,789,140	2	$529,500
NORTH CAROLINA	2	$1,448,450	3	$3,903,000
NORTH DAKOTA	8	$4,512,045	.	.
OHIO	7	$3,279,000	4	$3,457,000
OKLAHOMA	19	$9,746,410	5	$1,863,100
OREGON	3	$2,135,850	2	$2,386,430
PENNSYLVANIA	11	$9,551,005	4	$2,077,080
PUERTO RICO	1	$1,000,000	.	.
RHODE ISLAND	.	.	.	.
SOUTH CAROLINA	1	$1,737,500	1	$224,700
SOUTH DAKOTA	4	$1,714,700	1	$1,293,000
TENNESSEE	17	$4,766,125	3	$1,057,500
TEXAS	12	$6,434,630	6	$2,350,500
UTAH	1	$320,000	3	$189,250
VERMONT	2	$1,000,000	1	$150,000
VIRGIN ISLANDS	.	.	.	.
VIRGINIA	2	$2,047,625	1	$705,000
WASHINGTON	8	$4,128,550	1	$2,456,400
WEST VIRGINIA	15	$4,511,400	3	$1,914,000
WISCONSIN	13	$5,491,875	1	$3,800,000
WYOMING	2	$574,000	2	$379,200
TOTAL	520	$303,712,348	128	$86,383,290

TECHNICAL ASSISTANCE FUNDS

Mr. **Whitten**. Please describe how the technical assistance grants funds are used.

Mr. **Ausman**. Funds for the technical assistance and training grant programs, as authorized by the Food Security Act of 1985, are provided to eligible private, nonprofit associations for the purposes of identifying and evaluating solutions to water and waste disposal problems in rural areas, assisting applicants in preparing applications for water and waste disposal grants and improving operation and maintenance of existing water and waste disposal facilities in rural areas.

Mr. **Whitten**. Please list the technical assistance grants made in fiscal year 1989 and those made to date in fiscal year 1990.

Mr. **Ausman**. In fiscal year 1989, three technical assistance and training grants were made to the Inter Tribal Council of Arizona, Inc. for $46,000, National Rural Water Association for $465,000, and Rural Community Assistance Program, Inc. for $583,000. In fiscal year 1990, to date, three grants have been made to the following National Rural Water Association for $2,435,800, Rural Community Assistance Program, Inc. for $1,420,000, and West Central Nebraska Development District for $115,000.

RURAL HOUSING PRESERVATION GRANTS

Mr. **Whitten**. During fiscal year 1989 you made $19,140,000 in rural housing preservation grants. What was the largest grant made during fiscal year 1989 and how will the grant funds be used?

Mr. **Ausman**. During FY 1989, the largest grant made was for $258,000. There were two grants of this size made in Tennessee. One was to the Rural Housing Health and Economic Development, Inc., in Millington, TN. The grant will be used to provide grants to assist approximately 50 very-low and low income families. The second was to Shelby County Government, where the funds will be used to assist approximately 30 to 40 very-low and low income families.

Mr. **Whitten**. What was the smallest grant made during fiscal year 1989 and how will those funds be used?

Mr. **Ausman**. The smallest grant made was in Pennsylvania to the County of Butler. The grant of $13,000 is being used as grants to 3 very-low income families.

Mr. **Whitten**. How much progress has been made to date in fiscal year 1990 in Rural Housing Preservation Grants?

Mr. **Ausman**. The open time period for accepting preapplications for FY 1990 is January 16th through April 16th. We should have an indication sometime in late May as to the number of requests we have received and will be able at that time to determine any reallocations necessary to fulfill as many requests as possible.

VERY LOW-INCOME HOUSING REPAIR GRANTS

Mr. **Whitten**. During fiscal year 1989 what was the largest and smallest grant made under the very low-income repair program? You might describe for the record the purpose of each grant.

Mr. **Ausman**. During fiscal year 1989, the largest very low-income repair grant was $5,000. The smallest was $260. The $5,000 grant was used to replace a roof, install a bathroom, and put running water in the house. The smallest grant paid for hook-up costs to a public water system.

Mr. WHITTEN. Please describe how these grants are used.

Mr. AUSMAN. Section 504 rural housing grant funds are for removing health and safety hazards from owner-occupied homes. Purposes include providing occupants with a potable water supply or for repairing rotted floors, walls, roofs and joists. Other purposes include putting on new roofs or installing a furnace. To alleviate overcrowding, funds may be used for a room addition. This is a small example of the many purposes of the very low-income housing repair program.

Mr. WHITTEN. What are the income and age limits for these grants?

Mr. AUSMAN. Only elderly very low-income owner-occupants may qualify for these grants. The owner-occupant must be 62 years or older and unable to repay a loan amortized at 1 percent over 20 years. Very low-income households have annual income below 50 percent of the area median income. This is the only federally funded housing program designed solely to help elderly homeowners.

COMPENSATION FOR CONSTRUCTION DEFECTS

Mr. WHITTEN. Please provide for the record a ten-year table showing the number and dollar amount of compensation for construction defects payments made each year.

[The information follows:]

FARMERS HOME ADMINISTRATION—COMPENSATION FOR CONSTRUCTION DEFECTS, FISCAL YEARS 1980–89

[Dollar amounts in thousands]

	Number	Amount
Fiscal year:		
1980	332	$590
1981	292	721
1982	106	250
1983	107	296
1984	117	395
1985	153	527
1986	100	296
1987	78	241
1988	70	258
1989	69	314

Mr. WHITTEN. What was the largest and smallest claim paid during fiscal year 1989 and what was the basis for each claim?

Mr. AUSMAN. The largest claim amounted to $21,000 for repairs for large sinkholes which developed in the yard. Repairs involved excavating the affected areas, bringing in additional soil, and compacting the soil to prevent further holes. The smallest claim was for $170 to install additional eave vents and roof turbines to correct inadequate ventilation which was causing condensation.

RURAL DEVELOPMENT GRANTS

Mr. WHITTEN. How many rural development grants were made in fiscal year 1989 and how many have been made to date in fiscal year 1990?

Mr. AUSMAN. In fiscal year 1989 we made 36 rural development grants in the amount of $6,500,000. We have made 4 rural development grants for $803,500 in fiscal year 1990 as of March 7.

Mr. WHITTEN. Would you please describe for the record each of the grants made in fiscal year 1989?

[The information follows:]

INDUSTRIAL DEVELOPMENT GRANTS—FISCAL YEAR 1989

State	Name	Purpose	Rec
DC	Rural America	TA	$500,000
FL	Sebring Airport Authority	Industrial site	452,100
AK	City of Saint George	Industrial site	425,000
IA	Indian Hills Community College	Other Business Development	400,000
TN	Scott County	Industrial site	365,000
LA	Village of Epps	Industrial site	312,000
KY	University of Kentucky	Other Business Development	300,000
NC	Duplin County	Industrial site	300,000
SC	South Carolina Department of Agriculture	TA	270,000
AR	Sugarloaf Industrial Development Corp	Industrial site	235,000
CA	County of Trinity	Industrial site	225,000
MS	City of Lexington	Industrial site	212,500
OR	Burns Paiute Indian Tribe	Other Business Development	200,000
WI	Village of Balsam Lake	Industrial site	200,000
CO	Cumbres and Toltec Scenic Railroad Commission	Other Business Development	150,000
IL	Two Rivers Reg Country of Public Office	Revolving fund	150,000
KS	Pottawatomie Economic Development Corporation	Industry	150,000
OK	Pontotoc County Commission	TA	150,000
MI	Meyer Township	Industrial site	132,000
MA	Town of Montague	Industrial site	125,000
PA	Susq Industrial Development Auth Solida	Industrial site	125,000
ME	Coastal Enterprises	Revolving fund	124,980
GA	Southern Georgia Area Planning and Development Company.	Revolving fund	100,000
MN	City of Westbrook	Other Business Development	100,000
ND	Dunn County	Revolving fund	100,000
NE	Southeast NE Development District	Revolving fund	100,000
VT	Northeast VT Development Association	Industrial site	100,000
WV	Mid-Ohio Valley Area Development Corporation	TA	90,000
MO	City of Carthage	Industrial site	75,000
NV	City of Wells	Industrial site	57,300
ID	Kootenai County	Industrial site	56,560
OH	Village of Byesville	Other Business Development	50,000
OK	City of Bennington	Other Business Development	45,000
OK	Wes Watkins Area Vo-Tec School	TA	45,000
VA	Town of Chilhowie	Industrial site	42,560
NY	Ogdensburg Bridge and Port Authority	Industrial site	35,000
	Total		6,500,000

RURAL DEVELOPMENT LOAN FUND

Mr. WHITTEN. Please describe each of the loans made during fiscal year 1989 by the rural development loan fund.

Mr. AUSMAN. Since August 1988, all loans approved under the authority of the Rural Development Loan Fund are referred to in

FmHA regulations as Intermediary Relending Program or IRP loans. All IRP loans approved in fiscal year 1989 were for the purpose of helping the applicant or intermediary to establish a revolving loan fund to finance business or community development in rural areas. We will provide a table for the record which lists loan recipients in fiscal year 1989.

[The information follows:]

BORROWER	HEADQUARTERS LOCATION	LOAN AMOUNT	SERVICE AREA
North Central PA Regional Planning and Development Commission	Ridgway, PA	$500,000	6 counties
Northern Tier Regional Planning and Development Commission	Towanda, PA	500,000	5 counties
Mid-America, Inc.	Pittsburg, KS	750,000	12 counties
Albia Industrial Development Corp.	Albia, IA	900,000	1 county
Miami Area Economic Development Service, Inc.	Miami, OK	1,000,000	2 counties
Rural Enterprises, Inc.	Durant, OK	1,500,000	20 counties
North Carolina Rural Fund for Development	New Bern, NC	900,000	1 State (NC)
Greater Salt Lake Bus. Dist. dba Deserset Cert. Dev. Co.	Salt Lake City, UT	800,000	1 State (UT)
South Dakota Economic Development Finance Authority	Pierre, SD	2,500,000	1 State (SD)
New York Job Development Authority	Albany, NY	650,000	1 State (NY)
Nebraska Economic Development Corp.	Lincoln, NE	2,000,000	1 State (NE)
Lake Champlain - Lake George Regional Development Corporation	Lake George, NY	500,000	5 counties
Georgia Development Authority	Tucker, GA	1,125,980	10 counties
Total		13,625,980	

Mr. WHITTEN. How many loans to date have been made from this fund in fiscal year 1990?

Mr. AUSMAN. To date, in fiscal year 1990, 8 Intermediary Relending Program loans totaling $9,550,000 have been authorized for funding.

SELF-HELP HOUSING LAND DEVELOPMENT FUND

Mr. WHITTEN. How many loans were made under the self-help housing land development fund in fiscal year 1989?

Mr. AUSMAN. One self-help land development loan totaling $500,000 was made in fiscal year 1989. This represents 100 percent of authorized funding.

Mr. WHITTEN. How many loan applications were pending or received for this program during fiscal year 1989?

Mr. AUSMAN. To the best of the Agency's knowledge, only one application for a self-help land development loan was received in fiscal 1989.

Mr. WHITTEN. How many applications for loans under this fund have been received to date for fiscal year 1990.

Mr. AUSMAN. To date, no application for loans under this program have been received.

USER FEES

Mr. WHITTEN. During fiscal year 1989 what user fees were collected, by program?

Mr. AUSMAN. During fiscal year 1989, FmHA collected the following amounts of user fees by program: guaranteed farm real estate and guaranteed farm operating loans, $9,004,851; guaranteed business and industry loans $753,701; multifamily housing loans $26,532; and guaranteed single family housing loans, $339.

Mr. WHITTEN. Are any new user fees planned during fiscal year 1990 or fiscal year 1991?

Mr. AUSMAN. Yes, FmHA has published a Proposed Rule in the Federal Register for the establishment of a $100 application fee for nonprogram loans in Single Family Housing and Farmer Programs. Nonprogram loans are extensions of credit to applicants who are ineligible for a FmHA program loan, but the extension of such credit is in the interest of the Government to facilitate servicing actions or assist in the sale of acquired property. The new guaranteed water and waste loan program and community facility loan program will carry a loan guarantee fee of 1 percent of the guaranteed portion of the loan. Also, the budget proposed that the guaranteed fee for business and industrial loans be increased from 1 percent to two percent in FY 1990. FmHA regulations are in the process of being changed to implement this.

Mr. WHITTEN. Were any user fees implemented or established during fiscal year 1989?

Mr. AUSMAN. No new user fees were implemented during fiscal year 1989.

FARMER MAC

Mr. WHITTEN. Farmer Mac has recently signed a Memorandum of Understanding with FmHA whereby Farmer Mac will facilitate the creation of a secondary market for FmHA farmer program guaranteed loans through the issuance of securities. What will FmHA's role be in connection with carrying out this agreement?

Mr. AUSMAN. FmHA and Farmer Mac will work together jointly to foster and develop a secondary market for the guaranteed portions of Farmer Program loans. FmHA's specific responsibilities include; one, initiate efforts to amend the Farmer Mac Act, Title VIII of the Farm Credit Act of 1971, as amended by the Agricultural Credit Act of 1987, to allow Farmer Mac to issue and guarantee securities backed by the guaranteed portion of guaranteed FmHA farm ownership, operating, and soil and water loans. This legislative change is part of the Administration's 1990 Farm Bill proposal.

Secondly, we will provide Farmer Mac with the names and addresses of all lenders who have participated in FmHA guaranteed Farmer Program loans and will provide Farmer Mac with background information concerning the guaranteed loan programs and, to the extent available, information regarding delinquencies, servicing defaults, and losses.

Thirdly, we will use our best efforts with Farmer Mac to attain a successful secondary market program that facilitates the most favorable rates and terms for borrowers at a reasonable cost to lenders and holders.

Lastly, we will help prepare a letter Farmer Mac will draft to be sent to lenders explaining the secondary market program and inviting lenders to discuss possible sales.

Implementing a secondary market for FmHA guarantees through Farmer Mac will significantly reduce the administrative cost to the Agency and expedite implementation since there will be few, if any, regulatory changes required.

SALARIES AND EXPENSES

TRANSFERS OF FUNDS

Mr. WHITTEN. For each of the revolving funds, would you please provide an object class breakdown of the amount of funds provided during fiscal years, 1989, 1990 and 1991?

[The information follows:]

AGRICULTURAL CREDIT INSURANCE FUND—OBJECT CLASSIFICATION

[In thousands of dollars]

		1989 actual	1990 estimate	1991 estimate
	Personnel compensation:			
11.1	Full-time permanent	62,323	77,345	84,247
11.3	Other than Full time permanent	3,579	4,664	4,852
11.5	Other personnel compensation	1,573	2,189	2,362
11.9	Total personnel compensation	67,475	84,198	91,461
12.1	Civilian personnel benefits	11,650	17,749	20,642
21.0	Travel and transportation of persons	4,042	5,332	5,697
22.0	Transportation of things	419	763	827
23.1	Rental payments to GSA	271	315	325
23.2	Rental payments to other	3,705	4,846	5,569
23.3	Communications, utilities, and miscellaneous charges	7,316	9,782	9,789
24.0	Printing and reproduction	767	1,256	1,378

AGRICULTURAL CREDIT INSURANCE FUND—OBJECT CLASSIFICATION—Continued

[In thousands of dollars]

		1989 actual	1990 estimate	1991 estimate
25.0	Other services	98,592	109,553	144,333
26.0	Supplies and materials	818	1,357	1,497
33.0	Investments and loans	1,114,049	1,211,912	645,196
43.0	Interest and dividends	4,027,416	3,619,252	3,521,369
44.0	Refunds	6,179	5,000	5,000
99.9	Total obligations	5,342,699	5,071,315	4,453,083

RURAL HOUSING INSURANCE FUND—OBJECT CLASSIFICATION

[In thousands of dollars]

		1989 actual	1990 estimate	1991 estimate
25.0	Other services	99,052	114,445	95,200
33.0	Investments and loans	1,936,935	1,989,970	1,117,520
41.0	Grants, subsidies and contributions	279,326	307,057	637,858
43.0	Interest and dividends	3,718,209	3,684,554	3,517,775
44.0	Refunds	5,325	2,000	1,800
99.9	Total obligations	6,038,847	6,098,026	5,370,153

RURAL DEVELOPMENT INSURANCE FUND—OBJECT CLASSIFICATION

[In thousands of dollars]

		1989 actual	1990 estimate	1991 estimate
25.0	Other services	474,144	47,511	44,579
33.0	Investments and loans	451,544	488,305	385,933
43.0	Interest and dividends	879,382	738,568	731,495
44.0	Refunds	6,724	10,000	10,000
99.9	Total obligations	1,811,794	1,284,384	1,172,007

SELF-HELP LAND DEVELOPMENT FUND—OBJECT CLASSIFICATION

[In thousands of dollars]

		1989 actual	1990 estimate	1991 estimate
33.0	Investments and loans	500	500	

RURAL DEVELOPMENT LOAN FUND—OBJECT CLASSIFICATION

[In thousands of dollars]

		1989 actual	1990 estimate	1991 estimate
33.0	Investments and loans	13,628	19,297	30,000

OFFICE OF THE ADMINISTRATOR

Mr. **Whitten**. Please provide the monthly obligations for the Office of the Administrator for fiscal year 1989 and the amount to date, by month, for fiscal year 1990.

[The information follows:]

Month	Fiscal years—	
	1989	1990
October		
November	[1] $58,570	[1] $79,140
December	26,943	35,181
January	21,090	40,968
February	21,247	40,824
March	32,678	
April	24,501	
May	40,631	
June	43,671	
July	47,549	
August	50,584	
September	44,313	
Total	411,777	[2] 196,113

[1] Includes October obligations.
[2] Obligations through February 1990.

Mr. **Whitten**. Please list, for the record, the personnel assigned to the Office of the Administrator, by title and by grade.

Mr. **Ausman**. A list of personnel currently assigned to the Office of the Administrator by title and grade will be supplied for the record.

[The information follows:]

OFFICE OF THE ADMINISTRATOR STAFFING

Position title	Number	Grade level
Administrator	1	EX-V
Associate Administrator	1	ES-1
Executive Assistant to the Administrator	1	GM-15
Staff Assistant	1	GM-13
Confidential Assistant to the Administrator	1	GM-15
Confidential Assistant to the Administrator	1	GS-10
Secretary [1]	1	GS-10
Secretary [1]	1	GS-9

[1] At the present time, the two Secretary positions are vacant.

Mr. **Whitten**. Please provide an object class breakdown for the Office of the Administrator for fiscal years 1989 and 1990.

[The information follows:]

OFFICE OF THE ADMINISTRATOR—OBJECT CLASSIFICATION

Object class	Description	Fiscal year 1989 actual	Fiscal year 1990 estimate
1100	Personnel compensation	$320,348	$455,000
1200	Personnel benefits	56,648	95,000
2100	Travel and transportation of persons	33,931	45,000
2500	Other services	850	5,000
	Total obligations	411,777	600,000

Mr. **Whitten**. Mrs. Smith?

Mrs. **Smith**. Thank you, Mr. Chairman.

And let me say welcome to all of you and particularly welcome to Mr. Vautour. You know the first time I knew anything about Mr. Vautour our Farmers Home Administration was really in a shambles in Nebraska. And I went down here to the headquarters and I said you send us the very best person you have because we are in a mess. And they said we are going to send Roland Vautour. And I said where is he from, and they said New Hampshire. And I said, oh, New Hampshire. He will not know a thing about Nebraska. But you know, he came out there and he did the greatest job, and he got us out of that mess. And he went out to the counties and got the banks working together with FmHA. So, we think he is the greatest. So, we are glad you are where you are, Roland.

Mr. VAUTOUR. That is very gracious of you.

Mrs. SMITH. Now, let me say that I appreciated having a little time to visit with you before this meeting in regard to the President's budget request about FmHA, and REA and FCIC. And I particularly appreciate the Administration's determination to continue to work and improve these agencies.

SUCCESS OF GUARANTEED LENDING

I note that, as the Chairman commented, many of our direct lending programs have been changed to guaranteed programs. Over the past few years, your agency has asked for and this committee has agreed to reduce the levels of direct farm ownership in favor of increased guaranteed lending. Is this changeover working?

Mr. VAUTOUR. I think it is, Mrs. Smith. Back in 1983, approximately 20 percent of our loans were in guaranteed lending. By 1985, that began to reverse itself to the point where in 1987 for the first time in the history of the Farmers Home Administration, we made more guaranteed loans than we did direct loans. And that trend has continued through 1988, 1989, and we have no reason to think that 1990 is going to be different.

But the important point to remember—and the Chairman hit on it I think very aptly—is that the reason for doing this is severalfold. The first and I think the most important reason is to get our borrowers accustomed to dealing with the commercial sector in terms of debt service.

The second and I think equally as important is that for a number of years now, we have had our county supervisors out in the counties, out there where the rubber meets the road, inundated and dumped upon with a tremendous amount of work. Supervisors have not been able to do those things that the Chairman pointed out, which are really important: supervising credit, working with our troubled farmers, working with our young people, working with people who want to get into farming, but are unable to because of finances, and working with farmers to the point where they become solid financial citizens and then move them into the private sector. We really have not done that job.

By moving the loans, be it a housing loan or a farm loan, to the private sector, we can have the banks—and they have substantially more people—handle loan servicing. Let me use the illustration of Nebraska. There are 462 small, independent, rural banks, most of them agriculturally oriented out there, with an average employment probably approaching 30 to 40 people per bank. The total employment for Farmers Home in Nebraska in total is 280 people. Now, if you run those numbers, you can see that the private sector has vast resources that we ought to be using to do the work or a lot of the work that our county supervisor now has to do, freeing him up to do what I think is the most important job, and that is to work with our young and troubled borrowers.

So, yes, I think it is working well.

Mrs. SMITH. I appreciate that explanation.

AVAILABILITY OF GUARANTEED LOANS

Now, of course, the bottom line for many borrowers remains the availability of credit at reasonable prices. How will this subsidized guaranteed ownership and operating program work for the typical Nebraska farmer out there where we have 462 banks? Now, you know the Chairman commented that some of these banks are not in too good financial condition. Can this borrower get enough credit with the FmHA guarantee and a reasonable interest rate?

Mr. VAUTOUR. Well, the first thing that is going make it an awful lot easier is the implementation of Farmer Mac, which is the secondary sales mechanism for agricultural loans. Let me use the illustration of the $900 million worth of operating loans that we made last year, $600 million of which where at the limited resource rate of 5.5 percent. And $300 million of the amount borrowed was at our full note rate. This is the normal loaning pattern that Farmers Home has had over the years. That full note rate was somewhere in the order of 8 and seven-eighths percent.

We are proposing to take that $300 million worth of loans that were in the full note rate category and move them to the private sector, buy down their interest to the point that they are able to cash-flow or to our full note rate, whichever is the higher, and move them into the private sector. The small banks can take that loan and sell it in the secondary market. So, we think we could generate actually better and more financing for the average Nebraska farmer.

MODERATE INCOME HOUSING BORROWERS

Mrs. SMITH. Now, a substantial portion of the proposed guaranteed rural housing loans are for non-subsidized funds. In the Administration's budget, modifications are recommended to assist those people with moderate income. Would you tell me what do we consider to be moderate income applicants? What changes have been made to reach these types of applicants? Is it reasonable to believe that they will be using this program and will repay the loans?

Mr. VAUTOUR. We think they are. The moderate borrower is described as the individual who has income that is under 100 percent of the median for the state to a low of 80 percent of the median. Anything below that is considered low income, and when you get below 60 percent, it is considered very low income.

Our projections are that, yes, the unsubsidized guaranteed portion of our proposal will utilize that money and it will utilize it for that strata of rural America that we have not been able to reach in the past.

LOW AND VERY-LOW INCOME HOUSING BORROWERS

Mrs. **SMITH**. I notice that your funding for low income housing is slightly less than the funding for last year. In fact, 28 percent of your budget is for moderate income. How will you continue to serve the low and the very low income applicants?

Mr. **VAUTOUR**. Mrs. Smith, as I stated in my opening statement, we have a four-pronged approach. The traditional direct lending program is requested at over $600 million. The second prong would be the guaranteed lending with a subsidy. The third is the guarantee without a subsidy, and if all else fails, and the borrower cannot under any circumstances qualify for loans in any of those three categories, we would be providing a housing voucher system that that borrower could utilize in our 515 rural rental housing projects or for HUD projects or in the private sector, if you will.

Unfortunately—and I think this is a tragedy—there are 400,000 people leaving rural America each year moving to the Omahas and the St. Louises and Chicagos of this world. There is some housing stock out there that is available. If they cannot qualify to buy it under the traditional programs that we have today or the new programs that we are proposing, then we would propose that those people—and we have not been able to handle those people up to now—be handled with the housing voucher.

FARM DELINQUENCIES

Mrs. **SMITH**. Well, I appreciate this very much.

Administrator Ausman, I would like to ask you a question just in one area. You cite that more than 32,500 farm borrowers had loans that were more than 180 days delinquent, but they have been solved by your agency. Now, these borrowers are farmers by law who suffered economic stress through circumstances beyond their control.

Would you outline how many delinquencies were resolved and, in addition, how many farm delinquencies remain? What steps are being taken to respond to those delinquencies?

Mr. **AUSMAN**. Let's take a look at those we have resolved. I can supply you with figures.

Of the 32,548 resolved accounts there are 1,424 paid in full upon notice, and 4,593 paid current. We rescheduled or deferred about 9,599. We wrote down the debt, in other words, wrote a portion of the loan off on 4,608, and they stayed in operation. We had 5,029 where we wrote off the entire debt. Many of those would stay in operation. We debt settled, that is usually where the person is not farming anymore, 6,341. Liquidations completed through foreclosure or assumption or those kinds of things, 920, and we have 34 that are actually in a prosecution status.

Regarding the 42,804 unresolved accounts, we cannot be as definitive as we would like. We are trying to upgrade our data system, and we have been told that by June 1 we will have better figures.

Acceleration notice has been mailed and the liquidation is not complete on 3,297 cases. Preservation servicing is where the write-down does not work and you go into a write-off. We have 2,452 in that status. Mediation pending, where we are trying to negotiate a settlement, includes 4,774. There are 32,281 cases that are either in appeals, or bankruptcy. In addition, there are about 20,000 that have not responded, servicing actions not complete, litigations, and unresolved civil actions. We do not know exactly what the situation is for those accounts. Those are unresolved accounts. I think we have 1,000 cases in appeal right now.

Mrs. SMITH. That is a complete and comprehensive answer. I appreciate it.

Thank you.

WATER AND WASTE LOANS AND GRANTS

Mr. SMITH [PRESIDING]. The Chairman referred to rural development legislation that is proceeding through the Agriculture committees now. During the last two or three years we have heard elected officials from every level of government talking about the need for rural development. This includes people in the Administration.

I belive that two principal ingredients in rural development are the water and waste treatment loans and grants, and the community and business loans.

This goes back to one time many years ago HUD, just arbitrarily said they were not interested in anybody who did not live in a city of more than 20,000. They were not interested in those areas. So, they just wrote them off. That is the reason we have rural development programs.

I noticed in your budget request, however, that you are cutting those loans by 32 percent from $520 million back to $350 million, and the grants cut from $207 million to $100 million. Now, isn't this inconsistent? I mean, even the Administration is talking about doing more for rural development and then they propose cutting these two principal programs. Isn't that inconsistent?

Mr. AUSMAN. I think we have tried to bring along some innovative ways to deal with those problems out there. As I stated, we believe some of these communities can function in the commercial area with a guarantee, and that is why we are looking at moving that way.

BUSINESS AND INDUSTRY LOANS

For the business and industry loans, we are really transferring the commitment in dollars to the rural development relending program. The Federal support is about the same as it would be if we were to stay with the guarantee B&I program.

Mr. SMITH. Well, in Iowa, we are more fortunate than they are in some States because our banks have traditionally been lenders to the rural communities. They got started years ago in making farm loans. I guess if they didn't, they would not make any loans. That was about all there was to make. But there are states where banks have never thought that they ought to be involved in rural development loans. How can they use a guarantee program?

How does this all fit together? What good is it going to do for us to pass another bill labeled rural development if all we are going to do is reduce two existing programs that have been working and use the difference for something else?

Mr. AUSMAN. As I stated, I think we have directed it in a different way, but the commitment is there, Congressman Smith, it is very true. Your banks in Iowa have been very active. I think we have more banks in Iowa with guaranteed loans than any other state in the country.

The encouraging thing in the guaranteed loan program this year is that 22 states are up over where they were a year ago at the same time. So, banks are really getting interested in looking at the program.

GUARANTEED WATER AND WASTE LOANS

We did some surveys of rural areas and asked bankers if they were interested in guaranteed lending for housing and community facilities.

Mr. SMITH. But they do not make loans for water and waste treatment.

Mr. AUSMAN. We believe that there are banks out there that will be interested in that. We would like to think there would be, based on our survey.

Mr. SMITH. It seems to me that it is really basic. If you are going to develop a rural area, you just have to have water and waste treatment facilities, especially water. It depends on the tests on the soil whether you need the waste treatment.

The Subcommittee staff points out a sentence to me here. A 1986 EPA needs survey of cost estimates for construction of publicly owned waste water treatment facilities indicated that rural areas with a population below 10,000 needed approximately $17 billion for these systems to be brought into compliance with the Clean Water Act of 1977. And this survey also estimated that the entire Nation's need was $59 billion, which means the cost of upgrading sewer systems serving rural communities amounts to 29 percent of the Nation's total needs.

We have such a huge backlog of need in this area that really what we had last year just touches the surface, doesn't it?

Mr. AUSMAN. I do not know what percent of those figures are rural versus the total picture.

Mr. SMITH. This is from your budget. Maybe you did not write it, but this is from your budget.

Mr. AUSMAN. The need has always been there and I guess it is a balancing act. It is a choice you have to make.

Mr. SMITH. Well, what is more important than water? Is there anything more important than water in one of these areas?

Mr. AUSMAN. Of course, we have tried to prioritize the needs and deal with those problems recognizing that we do not have enough to serve every individual.

Mr. SMITH. And then on top of that, we have the Government passing laws that say you have to do it by a certain time or else, and the money is not there. It just seems to me that we are doing a lot more talking about rural development than we are doing anything constructive, and then we don't even adequately fund the programs we already have.

Mr. Myers?

IMPORTANCE OF GUARANTEED LENDING

Mr. MYERS. Well, thank you, Mr. Chairman.

Gentlemen, back when I worked for a living, I ran a little country bank and tried to farm on the side. I am like the Chairman: I could not run the farm unless I had an outside job. And now that I am in politics, I have two losing endeavors. So, it is kind of difficult. I am losing it twice as fast. [Laughter.]

But, in running that little country bank, I often found myself in the position of seeing loans that I would have liked to have made, but for a great many reasons, I was unable to give. Often, the P&L did not work out for the farmer. He was asking for more money than he really should have been or he needed more money than there was. It was or was not, it just would not work out on paper. I often worked with farmers that way. But, it usually was not the fact that we did not have the money to loan.

I remember one time some fellow came in and wanted to borrow a certain amount. Very seldom did people ever ask what the interest rate was. Usually, they only asked if they could get a loan. At that particular time, I told this one farmer that, yes, I think we can make the loan. He said, "Well, what is the interest rate?"

I said, "6 percent." That was about the going rate 25–30 years ago when I was working.

He said, "Well, gee whiz. I can go down the street and get it for 4 and a half percent."

I said, "Well, you know what I would do if I were you? I would go down and get it!"

He said, "Well, they haven't got any money." [Laughter.]

I said, "Well, if I didn't have any money, I would loan it to you for 2 percent. But, we have the money." [Laughter.]

So, I agree that there are probably lending institutions out there who possibly would not make these loans because, for various reasons, they are already over-loaned.

But, that would not be the case here. Guaranteed loans come under different criteria. You can go over the limit for a guaranteed loan because they are of benefit to a lending institution. We have to carry so much and you do not have to pay insurance on it. The FDIC is excluded. Guaranteed Federal loans are excluded, just the same as notes or any Federal debenture would be. In that respect, I think most banks—and I speak only from the posture of my experience in banking—would welcome the opportunity to make a guaranteed loan.

So, you are helping people that way. A guaranteed loan would help by subsidizing the interest or buying down the interest or whatever you want to call it. You are helping the farmer in that respect, but you are also helping the Treasury.

I did not vote for Gramm-Rudman, but we all have to live with it. And how in the world are we going to be able to borrow enough money to finance all of these things that we want to do if we continually have to wash all the money through Washington and the Treasury?

When the Treasury goes out next Monday to borrow money, do you know where most of that money is going to be borrowed from? Commercial banks. A large percentage of it, more than half, will be borrowed from the commercial banks. We are going to wash it through Washington and send it back.

So, it seems as if it would be much better for you to get commercial banks and other lending institutions to do the job for you. Otherwise, you would have to hire additional people. You would have to hire more people if you were going to make the direct loans. It seems to me that this makes a lot of sense and I, for one, think we ought to try it.

QUALIFICATIONS OF GUARANTEED LENDERS

Who qualifies for a guaranteed loan as far as the lender is concerned?

Mr. **Ausman**. You have to meet the criteria.

Mr. **Myers**. But what would that criteria be? I guess that is what I am trying to find out.

Mr. **Ausman**. Any commercial lender can lend to our people. The criterion for the lender is just that it is licensed to do business in their state.

Mr. **Myers**. They have to be a commercial lending institution?

Mr. **Ausman**. Yes.

Mr. **Myers**. You could not make a loan to your son, who operates your farm now, and get a guaranteed loan?

Mr. **Ausman**. Right. You have to be a commercial lender.

Mr. **Myers**. You could not bankroll your son then?

Mr. **Ausman**. Right, not a guarantee.

The farm credit system, credit unions, commercial banks, all those could provide guaranteed loans.

Mr. **Vautour**. Mr. Myers?

Mr. **Myers**. Yes, Mr. Under Secretary?

Mr. **Vautour**. The answer to that, really, if you want to get it down to a broad base, would be that loans from any financial institution that is regulated, either by the Farm Credit Administration, the FDIC, or state banking could be guaranteed. Any lending institution that is regulated can make guaranteed loans.

PRODUCTION CREDIT LOANS

Mr. **Myers**. How about Production Credit? They are not regulated too much.

Mr. **Vautour**. Well, the Farm Credit Administration is supposed to. [Laughter.]

Mr. **Myers**. I am not downgrading Production Credit, but I do have firsthand experience with it. Years ago, farmers would come in and I just could not make the loan for the various reasons I explained earlier. They would go across the street to Production Credit, and that guy would say, "That banker over there does not know anything about making farm loans. Sure, I will make the loan. In fact, I will give you a little extra. Why don't you buy your wife a fur coat?" [Laughter.]

Actually it got about to that point.

A few years ago I went back. I am still on the board back there, but this is my last year.

I went back and looked at some of the loans that we were having trouble with in the bank and some of the applicants. I was shocked to see some of the names who were applying for loans that Production Credit was trying to get rid of. The same people I said could not make it. I was right, but that fellow across the street said, "That stingy banker over there. He does not know anything about a farm."

I would take my shoes off and compare them with his any day to see who had been in the farm last.

Anyway, it is a difficult problem.

So, any lending institution will be qualified to make those loans?

Mr. VAUTOUR. Yes.

Mr. AUSMAN. Congressman Myers, I think we have some 9,000 or more lending institutions in the United States today who are participating and have guaranteed loans in place.

PARTICIPATION BY PRIVATE LENDERS

Mr. MYERS. Do you have any input from American Bankers Association or from anyone else about the likelihood of commercial banks or others making these loans? Has there been any questionnaires sent out to determine whether they will make the loans under a guaranteed basis? Do we know whether there will be an acceptance or not? We know from past experience some of the guarantees you had made, but these are a little more extensive. Will they still make them?

Mr. AUSMAN. We have not conducted a survey as such regarding these types of loans. We have communicated with the major banking associations, as Under Secretary Vautour said, the American Bankers Associations and the Independent Bankers Association. And they are certainly indicating an interest. And, of course, there are other people who can be involved in home loans as far as putting a package together such as Fannie Mae and similar organizations.

Mr. MYERS. But at this point, you really do not have any reading then?

Mr. VAUTOUR. The reading that we do get, Congressman, is that, from the leadership of those organizations, there is a very, very strong interest in seeing that this program goes forth. They consider it a distinct benefit to their members to participate in this.

AUTHORITY TO MAKE GUARANTEED LOANS

Mr. MYERS. Well, I know that from personal experience.

Then you do have the authority to make guaranteed loans now. All you need is the appropriations process to guarantee the percentage that you need to have guaranteed from the Federal Government. Is that right? You have the authority without legislation?

Mr. VAUTOUR. We have the authorizing legislation necessary to operate the guaranteed program including the interest assistance, but we don't have the budget appropriations to make guaranteed housing loans and make the interest rate assistance payments.

Mr. **Myers**. The buy-down is the only thing for which you have authority today. You need additional legislation then to guarantee the loans.

Mr. **Vautour**. That is right.

Mr. **Myers**. Steve?

Mr. **Dewhurst**. That is what you give us each year in the Appropriations Act. You set a level for those guarantees.

Mr. **Myers**. But that is a level. Do you have the authority if we set the level?

Mr. **Dewhurst**. Yes, sir.

Mr. **Myers**. As I understood, that was the case. So, it is just a matter of us establishing the level. No other authority is needed other than that.

Mr. **Dewhurst**. Yes, sir.

Mr. **Myers**. Okay. Thank you very much for your testimony.

Thank you, Mr. Chairman.

Mr. **Whitten** [resumes Chair]. Mr. Weber?

BUSINESS AND INDUSTRY LOANS

Mr. **Weber**. I just have a couple of questions since we have already talked a good deal about what is on my agenda.

I want to first of all say I want to join my other colleagues in commending you, Vern, for your new position. We are real confident that you are going to do a great job there.

And I want to echo Mrs. Smith's good comments about you, Mr. Vautour.

Mr. **Vautour**. Thank you.

Mr. **Weber**. I do not know that you have quite solved as many problems in Minnesota as you did in Nebraska, but you did a good job in Minnesota too.

I just want to walk through this one more time, and again I am going to ask you to be a little bit repetitive. But as you know, the business and industry fund has been used very successfully in my district. I think with very few exceptions have its applications been so successful.

Tell me again what the rationale is for phasing it out or eliminating it and what the new mechanism you are creating is going to do with those funds?

Mr. **Ausman**. We are really not creating a new mechanism. We have today the intermediary relending program and Minnesota is eligible as a part of that. This program operates in several states. Without getting into the specifics of the program, let me say that Minnesota is eligible as well as many other states.

We are using these local relending institutions to give the borrowers more money with which to work. We loan it to them at one percent, and then they subsequently can get a revolving fund going that will continue to operate. That is our rationale.

INTERMEDIARY RELENDING PROGRAM

Mr. **Weber**. And how would the revolving fund operate? Explain that to me please.

Mr. **Ausman**. We loan to public or private nonprofit organizations at one percent interest. These organizations subsequently lend money to the ultimate recipients. As these loans get repaid, the organizations can reloan the money again. These organizations operate on the margin, and it is preferential interest, obviously, but they get their operating costs out of it, and the funds just keep rolling.

BUSINESS AND INDUSTRY DEFAULTS

Mr. **Weber**. What is the default rate on B&I loans currently?

Mr. **Ausman**. Mr. Bennett said about 18 percent.

Mr. **Weber**. Has that been changing?

Is that delinquent or default?

Mr. **Ausman**. That is the delinquency rate.

Mr. **Weber**. I mean how many bad loans have you made?

Mr. **Ausman**. We do not make any bad loans. Some of them turn bad. [Laughter.]

Mr. **Weber**. I am sorry. I apologize.

Mr. **Ausman**. The default rate?

Mr. **Weber**. Yes.

Mr. **Ausman**. Let me say this. It is better than it has been in the past.

Mr. **Weber**. That answers my question.

Mr. **Ausman**. We are writing off about 12 percent.

Mr. **Weber**. You are.

Mr. **Ausman**. I had a chance in the last few months to look at this. We are dealing with some old loans that we are cleaning up.

REASONS FOR PROGRAM SHIFT IN BUSINESS LENDING

Mr. **Weber**. That answers my question. However, I feel that the B&I program is working very well. It is working spectacularly well in my district. You had a hand in helping us get a loan for a company called Fairmont Foods, which you will be pleased to know now has $30 million in gross sales. It is making a profit. It employs 350 people. That is after four years of operation, which would not have been possible without that B&I guarantee.

What is the failure of the B&I program that leads you to propose this change, especially since you said there was not going to be any outlay difference?

Mr. **Ausman**. I am not saying it is the failure of the B&I program. I think there is some duplication between what B&I does and what the intermediary relending program does. If there is anything different, it derives from letting each local area operate its own program rather than having the B&I program which basically is run through Farmers Home out of Washington. That is a judgment call.

Mr. **Weber**. You have done so well with that program in the past, that I assure you will understand if we let you just keep on administering it, won't you?

Mr. **Ausman**. You will make that decision.

Mr. **Weber**. I want to be brief because I know Mr. Watkins has questions.

WATER AND SEWER CRITERIA FOR LOW-INCOME COMMUNITIES

The only other question I have—and maybe, Mr. Vautour, you should answer it, is about the water and sewer programs. What is going to be the criteria for determining a low income community that will be able to participate in the future?

Mr. **Vautour.** The criteria for a low income community?

Mr. **Weber.** As I understand it, that criteria will be used to determine how the money is going to be made available for water and waste disposal grants in the future.

Mr. **Vautour.** That is one factor. Another criterion is that it must be under 10,000 people. Then there is a rating system and points assigned. Obviously, if the community is in a poverty area, it receives a much higher point rating than others. And when you have gone through the whole rating system, the State Director can then assign discretionary points of his own if he feels that that is really a necessary item.

To establish a low income, the median household income (MHI) of a community should be below the poverty line for a family of four or below 80 percent of the Statewide nonmetropolitan median household income (SNMHI). There are three interest rate levels. To qualify for the poverty line interest rate, the primary purpose of the loan for the low income community would be to upgrade or construct a water or sewer facility required to meet applicable health or sanitary standards. If there is no documented health or sanitary problem, the community could qualify for the intermediate interest rate. A community can also qualify for the intermediate rate if the MHI is not more than 100 percent of the SNMHI. The highest interest rate, the market rate, would apply for communities that do not qualify for the poverty or intermediate rates.

Mr. **Weber.** We will talk with you more about that when we have a little more time. My concern is that the capital costs involved for a small community, even a relatively well-financed small community, continue to increase. Capital outlays are not proportionately less for a small community just because it is a small community.

We are just about out of time. I know Mr. Watkins wants to get to his questions.

Thank you, Mr. Chairman.

Mr. **Whitten.** Mr. Watkins?

RURAL HOUSING GUARANTEED LOANS

Mr. **Watkins.** Thank you, Mr. Chairman.

Mr. Ausman, one of my great interests has been in rural development and also rural housing. I am encouraged to see the guaranteed housing proposal. I proposed this to the Banking and Finance Committee, which did authorizing a number of years ago. A guaranteed program would allow us to build more houses which are desperately needed in rural America. We can use the flow or steps in the subsidy or interest and take the principal and put it off budget and use it on the guarantees.

When we do this, Mr. Chairman, I think we should make sure that the savings are left in the bill somewhere for use in rural

America. We must have housing, and we must have off-farm jobs. And that is why I want to follow up on what Mr. Weber said.

IMPORTANCE OF BUSINESS AND INDUSTRY LOANS

The B&I loan program is an absolute must. I have talked to you also about that because that is the flow of capital which we desperately need, and many of our small banks cannot provide. By using the B&I loand program and finding some gap financing from the private sector, we are able to put the necessary financial package together for business and industry.

I put over 20 industries in my district in the last five years. With every one of them we had to work out the financing package in order for them to locate there because many of our small communities are struggling financially right now.

I hope that this program can be implemented and can succeed because I think it will let us multiply by many-fold the housing that we can build in rural areas. It has taken us a long time to get there. But I know in this town, sometimes it takes quite a while for an idea to come forth.

TECHNOLOGY TRANSFER CENTERS

Are you going to try to implement some technology transfer centers this year?

Mr. VAUTOUR. Technology transfer. Well, that is part of the bill that is being debated this afternoon.

Mr. WATKINS. You have it on the books. I know because it is my legislation that was passed about four or five years ago. Are you going to fund any of them this year.

Mr. VAUTOUR. There has been nothing in our budget for that. But as I say, the proposal is in H.R. 3581.

TECHNOLOGY TRANSFER THROUGH EXTENSION

Mr. WATKINS. And speaking of technology, we do agriculture technology, but are you open to technology being transferred through the Extension that will assist business and industries.

Mr. VAUTOUR. One of the major proposals that is under consideration—and I should not be speaking for the Extension Service because it is not in my area—is the industrialization of rural products, value-added, if you will. How can we get a bigger bang from the dollar from that amount of grain that is grown and the amount of wheat that is grown, and the amount of board feet of timber that is being cut from any one of our resources. How do we get value added at that site rather than in a major city?

OFF FARM JOBS

Mr. WATKINS. We have done a great job in production. We have learned how to grow four blades of grass instead of one. Now, we have to become better in marketing. We must do more in value added processing, in developing off-farm jobs. If we do not develop off-farm jobs, rural America will continue to decline.

GUARANTEED FARM OPERATING LOANS

I had a startling call today where an individual indicated that bank examiners may now be classifying FmHA guaranteed loans as being of risk to local banks. Do you know if this is the case and could you comment?

Mr. AUSMAN. This is not the case. FDIC has indicated that the guaranteed portion of the loan is not classified. However, the bank examiners may classify the nonguaranteed portion of the loan. To the best of our knowledge there has been no change in the way bank examiners view guaranteed loans.

GUARANTEED COMMUNITY FACILITY/WATER AND SEWER LOANS

Mr. WATKINS. It is my understanding that to-date FmHA has not moved on implementing the program and therefore we do not know if the guaranteed program will work. What is the status of implementing the program?

Mr. AUSMAN. The Community Programs Guaranteed Loan regulations are scheduled to be published in the Federal Register on March 26, 1990, as an Interim Final Rule. At that time a special procedure notice, administrative notice, and a news article will be issued to give additional guidance to the field offices and to inform the public of the implementation of the program.

Mr. WATKINS. I also understand that the success of the guaranteed program in both community facilities, and water and sewer loans may be further hampered because most of the organizations that you deal with are non-profit public entities with tax-exempt status. Could you comment on the success of the program without a change in the tax provision?

Mr. AUSMAN. We believe that the guaranteed loan program under the current tax provisions will be a useful tool in assisting some rural communities in those cases where they are unable to obtain funding from regular commercial sources without the benefit of an FmHA guarantee. This guarantee authority coupled with direct loans should enhance FmHA's assistance to the rural communities in general.

TECHNOLOGY TRANSFER CENTERS

Mr. WATKINS. How much money did you include for technology transfer centers in the FY 1991 budget?

Mr. AUSMAN. This program is not under the authority of FmHA. There are no funds for technology transfer centers included in our FY 1991 Budget.

Mr. WATKINS. Are you in support of rural technology transfer centers to assist in the creation of off-farm jobs?

Mr. AUSMAN. We believe there are other programs administered by FmHA already in place and funded which help create off-farm jobs. The rural development grants made under the Industrial Development Grant program are very successful in saving and creating jobs. Based on limited funds, this program is providing a good return for the grant investment. In fiscal year 1989, 36 grants were awarded and were projected to save or create 4,192 jobs. The $6.5 million awarded was projected to leverage non-Federal funds in the amount of $23,957,720.

Mr. **Watkins**. From your perspective, do you see any problem with utilizing rural technology transfer centers in cooperation with the existing Extension Service to deliver technology to rural business and industry in helping create off-farm jobs?

Mr. **Ausman**. It is our understanding that the Extension Service presently has 3 pilot technology transfer center projects—one each in Oklahoma, Mississippi, and Indiana. They are gearing up for one in West Virginia. They have the concept and the program underway.

Mr. **Watkins**. Do you believe H.R. 3581, "The Rural Economic Development Act of 1990," provides the flexibility for Extension Service's involvement in applied rural economic development that will eventually lead to off-farm jobs? Can the Extension Service help new or expanding business and industry much the same way as they have helped farmers in hands-on financial planning assistance, etc?

Mr. **Ausman**. If requested, the Extension Service could be effective in rural economic development to help increase off-farm employment. This could include providing technical assistance and hands-on financial planning to small and emerging businesses.

Mr. **Watkins**. Provided the Extension Service is a delivery system for hands-on assistance in applied rural economic development with relation to the transfer of technology, how will the new Rural Development Administration interface with this element?

Mr. **Ausman**. The new Rural Development Administration and the Extension Service could enter into a cooperative agreement for sharing information and targeting funding of projects which assist in the transfer of technology within the authorities available for each agency.

Mr. **Watkins**. Provided that non-profits separate from a university setting provides rural technology transfer through a center setting, how will that function as a priority for the new Rural Development Administration administrator?

Mr. **Ausman**. It would be a priority for a new Rural Development Administration administrator within the program authorities available to the Rural Development Administration.

OFF-FARM EMPLOYMENT

Mr. **Watkins**. What is the Administration's position on the value of off-farm jobs in relation to sustaining the production agriculture community?

Mr. **Ausman**. At the time of announcing the Presidential Initiative on Rural Economic Development in January, Secretary Yeutter noted that rural America needs more than a healthy agricultural sector. The Secretary pointed out that over 60 percent of farm families now rely on off-farm income to supplement farm earnings. The Administration is embarked on various initiatives, announced in January, to direct Federal resources to support locally-based efforts to create and sustain off-farm jobs. The Intermediary Relending Programn is an example of supporting broad-based local financing of job-creating businesses.

RIGHT OF FIRST REFUSAL

Mr. **Watkins**. How many borrowers have utilized the right of first refusal provision contained in the 1987 Credit Act?

Mr. **Ausman**. As of November 30, 1989, 2,448 borrowers had exercised their rights of first refusal—preservation rights.

Mr. **Watkins**. Thank you, Mr. Chairman.

Mr. **Whitten**. Mr. Skeen?

Guaranteed Farm Loans

LOAN PACKAGING

Mr. **Skeen**. Does FmHA actively endorse the professional packaging of guaranteed farm loans? If so, what is FmHA doing to encourage packaging of these loans? If not, why?

Mr. **Ausman**. While FmHA has not actively endorsed the use of professional packagers for guaranteed farm loans, we acknowledge they are used extensively and successfully in some areas of the country. FmHA is not authorized to discourage the use of these packagers by lenders. We are reluctant to actively promote the use of professional packagers because of the additional costs which must typically be absorbed by the lender. FmHA regulations do not allow lenders to charge fees to guaranteed farm loan applicants which they do not also charge to applicants for similar nonguaranteed farm loans.

FmHA believes that assistance in completing FmHA forms can generally best be handled by FmHA county office personnel through Operation Assist. This process does not incur additional loan costs for the lender or borrower.

TURN-AROUND TIME

Mr. **Skeen**. Is there a minimum turn-around time required for FmHA to provide a commitment to a submission of a loan package of FmHA guaranteed farm loan?

Mr. **Ausman**. There is no minimum turn-around time required for FmHA to provide a conditional commitment on a guaranteed farm loan package. Where lenders are working closely with FmHA county office personnel, it is not unusual for guarantee requests to be evaluated, reviewed by the county committee, approved, have funding obligated, and the conditional commitment issued within a week. FmHA instructions require that applications be presented to the county committee for an eligibility determination within 30 days and final approval or rejection within 60 days of receipt of a complete guaranteed loan request. The feasibility and soundness of the application is usually considered prior to the county committee review. If the county committee finds the applicant eligible, the request can be approved immediately and the obligation requested. The conditional commitment is issued to the lender as soon as the obligation of funds is confirmed via the Agency's Automated Data Processing System. FmHA instructions indicate that guarantee requests from FmHA approved lenders will be reviewed by the county committee within 14 days, if possible.

ADEQUACY OF PERSONNEL

Mr. SKEEN. Does FmHA have the available personnel needed to analyze farm experience for the guaranteed farm loan program? If not, what do you perceive as your personnel shortage?

Mr. AUSMAN. Existing FmHA personnel are available to analyze the farm experience of guaranteed farm loan applicants. Prudent lenders typically evaluate the "farm experience" of any applicant for a farm loan when they are deciding whether or not to make the loan. This information is provided to FmHA when a request for guarantee is submitted by the lender. The information is reviewed by the FmHA county committee which determines the applicant's eligibility for assistance with regards to farm experience. If they feel the need for additional information, it may be requested from the county supervisor, the lender, or the applicant.

BORROWERS

Mr. SKEEN. Does FmHA target first-time borrowers for guaranteed farm loans? If so, why?

Mr. AUSMAN. Currently, FmHA is not authorized to specifically target first-time borrowers for guaranteed farm loans. All applicants must attempt to obtain credit from conventional sources with or without a guarantee, before being considered for a direct loan. Many first-time borrowers are able to obtain a loan, often from their regular lender, with an FmHA guarantee.

Mr. SKEEN. Does FmHA require that existing borrowers who have direct loans must use the guaranteed farm loan program? If so, why?

Mr. AUSMAN. FmHA requires that a test for the availability of other credit be performed on all applications for direct loans. The applicant must provide evidence that they cannot obtain credit from other lenders in the community at commercial rates and terms. This requirement applies to all applicants, whether or not they have existing FmHA loans. Each loan is evaluated individually. An applicant may be able to obtain a guaranteed loan for one purpose while concurrently needing direct financing for a separate loan for another purpose.

STATE ALLOTMENTS

Mr. SKEEN. After a state has depleted its original allotment for guaranteed farm loans, what provisions are available for states to have access to additional loan funds?

Mr. AUSMAN. After a state has depleted its original allotment of guaranteed farm loan funds, they can request additional funds on a loan-by-loan basis from the National Office Reserve. Last year two states were provided additional guaranteed operating loan funds from the National Office Reserve.

POOLING OF FUNDS

Mr. SKEEN. How often are funds pooled for farm loans? How do the pooling requirements for farm loans compare to pooling provisions for the other FmHA loan programs?

Mr. AUSMAN. A tentative year-end pooling date is established for each farm loan type. However, as the system for allocating farmer programs loan funds to states is not always responsive to changing demands, pooling of unobligated funds can be accomplished at any time during the fiscal year. The method of pooling farmer programs loan funds is identical to that of other loan programs.

RURAL HOUSING PROGRAMS

Mr. SKEEN. Mr. Vautour, I am intrigued by your proposal to change the way rural housing loans are to be offered. I think it shows some innovative thinking on your part. But I think you will have to convince this committee that your four-tiered proposal will continue to benefit the same number of eligible applicants that we have today.

Can you guarantee that the same population of individuals who are eligible to seek housing assistance today will be able to access similar assistance under your program?

Mr. VAUTOUR. Not only will the same population of individuals be able to seek assistance under this program, we will also be able to provide service to moderate income applicants who today are limited in the assistance that the Agency can provide, because more families will be eligible for assistance, there will be a broader role in the distribution of families who actually receive assistance.

Mr. SKEEN. Under your proposal will those individuals who seek housing assistance be expected to pay more or less for their housing?

Mr. VAUTOUR. Under this proposal, very low-income borrowers will continue to be served with our direct loan program. They will continue to pay the same rate that they pay under the existing program. Low-income borrowers will pay the same or slightly more than they pay today.

INTEREST RATE BUYDOWN PROGRAM

Mr. SKEEN. What are you actively doing today to encourage local borrowers to accept buy-downs and guaranteed loans?

Mr. VAUTOUR. Since we do not presently have funding for a Guaranteed Rural Housing Loan program, we are unable to actively promote the program.

Mr. SKEEN. I have a question regarding the Interest Rate Buydown Program under the Agricultural Credit Insurance Fund. It appears that eight states reap 80 percent of the benefits of this program.

Can you tell me why more states are not seeing greater benefits? Is this an indication of the willingness of lenders to participate in programs of this type?

Mr. AUSMAN. The Interest Rate Buydown Program requires local lenders to share 50 percent of the cost of any interest reduction up to 4 percent per annum and to absorb all costs of interest reductions over the base 4 percent. Because of the cost to the lenders, the program has been used almost exclusively for the purpose of restructuring loans to existing borrowers. Typically, these are borrowers who are so marginal that the lender would be forced to liquidate the account if they could not get the FmHA guarantee, using program. These lenders have made the decision that the economic and financial costs of reducing the interest charged on these loans is less than the costs associated with liquidation.

Also, in accordance with Sec. 613 of the Agricultural Credit Act of 1987 the interest rate buydown program may be used to reduce the interest rate by not more than four percent in assisting purchases of Farm Credit System land in Farm Credit System districts that have been certified to receive assistance under the Act.

Typically, lenders who have made significant use of the program are heavily dependent on agricultural loans; have many borrowers whose accounts are marginal because of the economic problems and natural disasters of the past decade; and/or have a commitment to continue to support local economies through agricultural lending. In other areas of the country, lenders have chosen methods of resolving delinquent accounts that did not include restructuring with reduced interest rates. Often these lenders are not heavily dependent on agricultural loans, are not locally based and committed to local economies, and/or are in areas of the country where the economic crises of agriculture have been less severe.

We believe the proposed interest assistance for guaranteed loan will have a much broader acceptance because the Government will reimburse the lenders for the entire cost of the interest reduction.

NEED TO PROTECT THE ENVIRONMENT

Mr. WHITTEN. May I say thank you again.

We have had this argument about wetlands. If you take the wetlands off the farmer's hands, you do him a favor. But there is an argument to whether it is wetlands or not. As a matter of fact, we are supposed to have gotten that straightened out. I would like to know how many sales you held up or loans you held up because of wetlands over the country particularly in my state.

[The information follows:]

A recent survey was conducted that shows 127 sales of inventory property were held up due to proposed wetland deed restrictions. In Mississippi, no sales were held up. Purchasers are advised that current regulations require such easements to protect wetlands and if a sale is to be made, an easement must be in place. Therefore, many sales are not held up because there is no alternative. There are cases reported where the previous owner/operators and others expressed dissatisfaction because easements had to be filed, but the sales were not delayed for that reason.

Mr. WHITTEN. May I say we on this committee supported your looking after the environment through the years, and I was way ahead of a lot of folks, because back in 1966 I had written a book, "That We May Live" a half chapter—page 176-81—of which is devoted to the absolute necessity that we do something to restore and protect the environment. In that book I pointed out many of the factors with which we have to deal to get the job done; the help, the cooperation we would need; the cost we would incur; the decisions we would have to make separating the undesirable from the downright dangerous; pointing out that we had to maintain our day-to-day business as we proceeded.

At this point in the record I would like to include several pages written in 1966 in my book "That We May Live":

EXCEPT FROM "THAT WE MAY LIVE," WRITTEN BY JAMIE L. WHITTEN, MEMBER OF CONGRESS, PUBLISHED 1966

This is not to say that pollution of air and water does not exist; for, of course, it does. Pollution is part and parcel of man's unplanned and unthinking change of his environment; and particularly is it a part of the subject under discussion in *Silent Spring* and here. Public opinion here seems to be on the move toward action. This public temper can be good if held in balance. It can do more harm than good if not kept on an even keel.

Pollution comes from many sources and becomes greater as our population increases; unless we take corrective action, it will become worse as we become more and more industrial. We do have pollution of the air and water and apparently are going to do something about it. These facts lead me to point to some of the factors with which we must deal as we attempt to meet this problem.

§

> The fact that air is essential to life is as old as knowledge. The fact that polluted air can cause discomfort is probably just as old. As soon as primitive man moved his fire into his cave, he certainly became aware of air pollution in the form of smoke. He also probably soon learned to reduce the smoke in his cave by careful placement and stoking. He then decided to accept some smoke in return for the warmth and convenience of the fire nearby.
>
> We have been weighing pollution against convenience ever since. Now we are beginning to realize that more than convenience is involved and that the air around us is not a limitless sea into which we can continue to pour waste without serious consequences.
>
> Our health and our well-being are threatened.

Thus did the *Agriculture Yearbook of 1963: A Place To Live*, describe one of the serious problems of our day, air pollution.

The increasing pollution of our water unquestionably is a threat to fish and health. This became a matter of public concern in the United States in the late nineteenth century, when virulent typhoid epidemics appeared in various cities. The then new science of bacteriology identified many of these outbreaks as the result of contaminated water supplies. The public outcry against pollution was great. Public health officers attempted to meet this challenge in two principal ways.

The first was to select certain streams for waste disposal and to reserve other, and protected, streams for municipal supplies. This is the method followed by communities fortunate enough to own or control adequate watersheds. However, with our increasing population, it is virtually impossible today for one city to live separately and apart from another. While one city may protect its water supply, it will be adversely affected if those in adjoining areas do not do likewise.

The other method was the filtration and disinfection of water. This has permitted many cities to have reasonably safe and palatable water, even from such heavily polluted sources as the Missouri, the Mississippi, and the Ohio rivers.

While these systems have worked for many years, we now face a period when we must give full attention to water pollution, or else pay substantial penalties in the future. We have some 30,000 sewerage systems and industrial complexes pouring waste into our streams. Included are 10,000 municipal sewerage systems, serving more than 100 million people, which dump sewage into the waterways. Twenty-five per cent of this load is without any treatment whatsoever.

Pollution degrades the physical, chemical, biological, and esthetic qualities of the water. The degree depends upon the kind and amount of pollution in relation to the extent and nature of reuse. Pollution can be just as effective as a drought, or excessive withdrawals, in reducing or eliminating water resources.

Over 2600 new or enlarged sewage treatment works are needed to serve 27.8 million persons living in communities presently discharging untreated or inadequately treated sewage. Another 2598 new sewage collection systems and treatment works are required to serve a population of 5 million living in urban areas where individual disposal systems have failed to function properly.[14]

By the year 2000, thirty-four years from now, we will be around 330 million Americans as against today's 194 million. We will have nearly doubled the quantity of sewage going into our streams and protecting the public health will really be a problem.

Today's 194 million Americans are abusing our resources so far as our use and handling of water is concerned. Our lakes and rivers have become catch basins for the residues of our factories, automobiles, household and agricultural chemicals, for human wastes from thousands of villages, towns, and cities. How well we clean up this situation and learn to handle it without restricting man's means of providing our high standard of living may well determine the future of our nation.

As we approach this problem we must keep in mind that the power to control water quality or quantity is not only the power to make or break business but is a power over the life of the nation itself.

Since water is an absolute essential to health and to all man's activities, any group we set up to control water on any basis, by restrictions for protection of its quality or quantity and use, must have not only the cooperation and co-ordination of all departments and agencies; but all interests must be represented. The Department of Agriculture and the Department of Health, Education and Welfare, whose interests are tied together, should have a place in any such group, as should the Department of Commerce; but these are not enough. The states and municipalities must be represented so that the varied interests of all our citizens may be recognized and provided for, including riparian rights, established use, and the determination of priority to use. All this need carries with it the problem of built-in bureaucracy, of too many cooks, yet there is seldom an easy answer to a difficult problem.

If we closed all our manufacturing plants, that would greatly improve the purity of the water in our streams; if we stopped driving automobiles, just think what that would do to improve the atmosphere—and a single departmental head could have done that under several bills; if we could return to the 800,000 population level of this country at the time it was discovered by Columbus, nature would be able to largely eliminate the pollution problem. But with 194 million people we could never live in the simplified way of that day. Neither can we ask nor could we force the residents of New York City to quit eating, quit living, and quit breathing while we clean up the Hudson. The same is true for Washington and the Potomac, as well as the people of thousands of towns and villages. The power to set standards is the power to control, yet some Members of Congress have urged that such power be granted to a single government department.

Agriculture's claims and responsibilities for the use of water are second to none, for agriculture provides our food, clothing, and shelter, the basic necessities for life. In addition, agriculture has a great responsibility in the use of water, for land is the great gathering place and reservoir for storage of water. Just a few years from now we will need three times the water we use today, all of which points up the need to protect and manage the quality and quantity of our water supply.

In our work with the Appropriations Subcommittee for Agriculture, we find the close cooperation and coordination of efforts by both the Corps of Engineers and the Soil Conservation Service are necessary in watershed and flood control programs, both of which are highly essential to water protection. We would not expect a skilled surgeon to use only one instrument for all operations, nor a mechanic to fix our car with a sledge hammer. Thus it is with water pollution; we must use the tools required for the job; and most importantly, we must keep the factory running in the process and not turn the surgeon's scalpel over to the mechanic or vice versa.

To do the cleaning up job on pollution, we must call on industry, on the federal, state, and city governments, and on individuals. We need financing and regulations; in the meantime, we must maintain a sense of balance, so that we do not tear up more than we correct. We are not merely limited to the practical but to the possible.

Mr. **Whitten**. Thank you again.

Mr. **Vautour**. Thank you, Mr. Chairman.

Mr. **Whitten**. It is not all your fault, but it is our fault if we do not try to do something about it, isn't it?

[The prepared statement of Mr. Vautour follows:]

FARMERS HOME ADMINISTRATION
STATEMENT OF
ROLAND R. VAUTOUR, UNDER SECRETARY
SMALL COMMUNITY AND RURAL DEVELOPMENT
Before the
SUBCOMMITTEE ON RURAL DEVELOPMENT,
AGRICULTURE AND RELATED AGENCIES
March 14, 1990

Good afternoon, Mr. Chairman and Members of the Committee. We appreciate this opportunity to be with you today to discuss the Farmers Home Administration budget for the 1991 fiscal year.

This budget represents the continuing commitment of the Administration to those rural Americans who depend on the Federal Government to meet their temporary needs for financial assistance. It also expands their opportunities to fulfill those needs while recognizing that we all must bear in mind that there are limits to what we can -- and should -- do. It is a rational and a good budget and responsive to current needs.

We ended the 1989 fiscal year with an outstanding loan portfolio of more than one million borrowers in the direct and guaranteed programs with loans totaling $58.8 billion in farm, rural housing and community and business programs. That was about $3.5 billion less than the previous year and represented the write-off of uncollectible loans, the repurchase of loans by some communities, and payments on outstanding loans.

The strength of the farm economy, as exhibited by exports, commodity prices and land values, had a noticeable effect on the Farmers Home Administration. The Agency is experiencing a continued trend in the fall-off in demand for farm operating loans. We think this is a healthy phenomenon. In 1989, farm loans totaled $2.2 billion, an amount ample to meet demand.

Progress was achieved in the nonfarm portion of FmHA operations also. ~~A Congressional mandate to sell assets from the Rural Development Insurance Fund sufficient to net $584 million was oversubscribed by community program borrowers.~~ ~~They~~ Community program borrowers purchased well over $1 billion of their own loans, making a securitized sale unnecessary. This demonstrates that some borrowers are able to secure private sector financing and need not be dependent on subsidized Federal Credit.

The 1991 fiscal year budget continues the direction and progress we embarked upon last year. It maintains the momentum in the transition of farm loans from direct to guaranteed loans and includes guaranteed loans for rural housing and community program borrowers. These guarantees will assist borrowers who are able to qualify for commercial credit with the Federal guarantee.

In addition, we are requesting a new interest assistance program for guaranteed loans in the farm and housing areas which does not require a matching interest rate reduction by the lender. This will provide more applicants an opportunity to qualify for guaranteed loans. It will give the lenders the security of a Federal guarantee and further expand their participation. It will also free up more of our field staff to work with and support new and beginning applicants and the socially disadvantaged applicants who may need more help in becoming and remaining successful farmers.

We will still offer a substantial level of direct loans. Together with interest reduced guaranteed loans and with the downturn in demand, we can meet the need.

In housing we are offering a four tiered program mix to assist the entire range of housing applicants. We are requesting an interest assisted guaranteed loan program that can serve families whose incomes are approximately 60 to 80 percent of median who cannot now qualify for a home loan without Federal assistance. In addition, we see the need to provide guaranteed loans to borrowers whose income falls between 80 to 100 percent of median income to insure they are able to purchase homes. We are also requesting funds for the direct low interest loans for both home ownership and multi-family rental units to serve low and very low income families. At the final tier, we propose to continue the deep subsidy rental assistance program and initiate a housing voucher program to serve low and very low income families. The voucher program is a cost-effective way of assisting low income families while allowing greater mobility in those areas where housing stock is available.

This housing budget request is substantially above the levels proposed over the last several years. It assists the same number of families as the programs actually enacted in 1989 and 1990.

Funding is continued for rural development activities to provide small communities additional opportunities to strengthen their basic services, along with the traditional water and community development loan and grant programs. This budget also supports the intermediary relending program. By making available one percent loans, this program allows nonprofit and governmental entities to build revolving funds and keep interest rates at a very low level. This program can be used to establish or expand small businesses in rural areas.

Mr. Chairman, we have established some very clear goals and priorities to guide us as we strive to reach those goals.

Again, I thank you for the opportunity to meet with you to discuss the proposed FmHA budget. The Administrator is prepared to discuss the budget in more detail, and he will be available for any questions you might have.

Thank you.

FARMERS HOME ADMINISTRATION
STATEMENT OF
LA VERNE AUSMAN, ADMINISTRATOR
Before the
SUBCOMMITTEE ON RURAL DEVELOPMENT,
AGRICULTURE, AND RELATED AGENCIES
March 14, 1990

Good afternoon, Mr. Chairman and Members of the Committee. The Under Secretary and I do, indeed, appreciate this opportunity to discuss our 1991 fiscal year budget request and to report on our progress in helping provide credit and financial resources to support a basic quality of life in rural America.

In the 1991 fiscal year, we plan to use those resources to increase the opportunities that are available to our borrowers to meet the credit needs of agriculture and the needs for basic home and community services. This will be done without hindrance to existing programs and without creating new and burdensome demands on the budgetary resources of the Nation.

We feel that this is a sound budget proposal that requests more program authority than we actually used in 1989. It strongly supports the traditional programs and proposes new ways to respond to current needs.

We are proposing to add guarantee loan authority to our traditional rural home ownership program. In addition, we are proposing a new interest assistance program for guaranteed loans in the farm and housing programs that will allow us to serve applicants who could not qualify for a loan from a private lending source without additional assistance and yet do not require the level of credit assistance and supervision in our traditional direct loan programs. This will benefit us in two ways. It will lower the immediate budget impact of direct lending, and it will free our field staff to work with and help new and beginning borrowers and socially disadvantaged applicants become and remain successful farmers and homeowners.

In 1989, the Farmers Home Administration ended the fiscal year with an outstanding portfolio of $58.8 billion in farm, rural housing, and community program loans to more than one million borrowers.

Farm loans accounted for $25.8 billion, including more than $3 billion in guaranteed loans. And, as in the past several years, our efforts were concentrated on the farm borrowers who were seeking to have their debt restructured and their loans restored to a current status as we undertook full implementation of the Agricultural Credit Act of 1987.

In that regard, Mr. Chairman, I can report that we have resolved the accounts of more than 32,500 farm borrowers whose loans were more than 180 days delinquent. Of those, 4,600 received debt restructuring with write-downs amount to more than $796 million, and 5,000 were approved for buy-outs resulting in write-offs of over a billion dollars.

Under the write-down provision, we can reduce the debt to the net recovery value of the collateral if that will restore the borrower to a sound cash-flow position and if the borrower has acted in good faith with us in safeguarding security.

In net recovery buy-out, the borrower is given an opportunity to buy out the loan at its current market value less prior liens and costs associated with acquiring, maintaining and disposing of the inventory property.

Almost 10,000 farm borrowers received some form of adjustment in their debt, such as consolidation of loans, rescheduling/reamortization and deferrals before reaching the write-down or buy-out stages. The resolved accounts also include almost 5,000 that were paid current, more than 1,400 that were paid in full, and over 6,300 that were debt settled.

A number of cases are still in the mediation and appeals process, still others are awaiting borrower decisions such as whether to pursue buy-outs, and we have yet to hear from some borrowers as to what course they would like to take.

All in all, the processes prescribed by the Ag Credit Act are at work. The Act is helping many farmers who suffered economic stress through circumstances beyond their control -- as it was intended to do.

Combined with that information, I am pleased to report that farm loans obligated in the 1989 fiscal year amounted to $2.2 billion, with guaranteed loans accounting for 53 percent. It was the third year in which guaranteed loans were more than one-half the total.

Two other forms of special assistance were continued during the year. The first one is "Operation Assist". This program is a standard duty for county supervisors. Under that program, if it looks like a borrower should be qualified for a guaranteed loan, the county office staff personally escort the applicant to a bank or cooperative lender to help obtain a guaranteed loan. To further help potential borrowers, we also prepare the bank loan forms in advance.

The second, the interest buy-down program, was again successful in helping farmers in a particular financial niche. Under this program, we can match a reduction in interest of up to 2 percentage points granted by a lender if that will help restore the borrower to a sound cash-flow position. This program was enacted in the Food Security Act of 1985 and was extended for three additional years by the Ag Credit Act of 1987.

Although much time and effort was devoted to helping farm borrowers restructure their debt and renew the viability of their operations, we continued our strong support for the rural housing and community programs and plan new initiatives to expand the opportunities for participants in all three programs.

BUDGET HIGHLIGHTS

The budget request for fiscal year 1991 proposes an overall program level of $6.1 billion, of which $3.4 billion is requested for farm programs, $2.1 billion for housing and housing support programs and $646 million for community and business programs.

Farm loan delinquencies remain large, about $8 billion, but we believe we have made a good start in bringing that problem under control through the servicing provisions of the Ag Credit Act and other options available to borrowers.

In the 1989 fiscal year, our write-offs for uncollectible direct farm loans totaled $3.1 billion, about one-half of which was attributable to Ag Credit Act write-down and buy-out provisions. The remaining half was attributable to normal debt settlements after voluntary liquidations.

FARM PROGRAMS

The farm program budget request for fiscal year 1991 is $3.4 billion. Within this total, $3.1 billion is for operating loans and $188.5 million for farm ownership loans. To continue the shift to guaranteed loans, we are proposing that $2.6 billion in operating and $150 million in farm ownership be in the form of guaranteed loans.

We are doing everything we can to provide more servicing where needed -- including asking for more people. This shift to guaranteed lending for those borrowers who do not need the intensive servicing is an important way to help.

To induce lenders to make guarantees available to more borrowers, we plan to offer interest assistance averaging 3 percentage points in the guaranteed loan programs. The basic legislative authority for this program already exists under current law. The interest rate assistance will bring the interest rate down near the rate on a regular direct loan, if necessary, to help the borrower achieve a positive cash-flow. We propose to offer interest assistance on guaranteed operating loans totaling $350 million and on farm ownership loans totaling $50 million.

Since direct loans have an immediate impact on budget outlays, the move to guaranteed loans with a subsidy will substantially reduce outlays while at the same time provide borrowers with basically the same interest rate. This would mean less cost while helping the borrower obtain affordable credit, and also provides an opportunity for the borrower and lender to begin a long-term business relationship.

The regular interest rate buy-down program authorized by the Food Security Act of 1985 will continue. The state mediation program begun last year is continued at $2 million, and the request for emergency disaster loans is $25 million. The proposed funding is expected to be consistent with the demand for such loans.

The budget includes an appropriation of $6.0 billion to reimburse the Agricultural Credit Insurance Fund for losses sustained in FY 1989. The losses are due to interest rate differentials between our loan rates and the cost of money and significant loan write-offs as mentioned earlier. Interest differentials and related losses amount to $2.9 billion and $3.1 billion related to write offs.

RURAL HOUSING PROGRAMS

The 1991 budget proposal for housing will help meet low-income housing needs in rural America by providing assistance to about the same number of families as programs in recent years. We are encouraging private sector lending with a Federal guarantee, and are proposing to provide the interest rate assistance for guaranteed loans to low income borrowers, whose incomes are between 60-80 percent of median.

This is a four tiered housing program which more adequately serves the needs of rural residents up to 100 percent of median income. At the top of this income scale, about 80 to 100 percent of median income, guaranteed loans can serve younger borrowers starting out and others who do not need heavy Federal involvement and yet cannot qualify for a housing loan without a guarantee.

At the next lower income tier, about 60 to 80 percent of median income, we are requesting funds for interest rate assistance to help guarantee loan applicants who cannot qualify for a housing loan at market rates. The interest assistance will be between 1 and 8.5 percent and will average 5 percent so that their effective interest rates can be about the same as they would pay under the direct loan program.

Next, we are requesting $609 million for the traditional direct home ownership program for low and very low income rural applicants with incomes below 60 percent of median. Multi-family housing direct loans will be funded at $391 million, and we plan to target this assistance to communities with the greatest need for housing assistance.

As the final program tier, we are proposing to continue the rental assistance program at the $270 million level for low and very low income tenants of rural rental housing and in those areas where suitable housing stock are available, we are proposing to introduce the housing voucher concept. We are requesting $190 million for the housing voucher program to assist families in renting apartments and single family dwellings.

To reimburse the Rural Housing Insurance Fund for interest assistance and other losses, the budget requests $2.7 billion.

RURAL DEVELOPMENT PROGRAMS

The FY 1991 budget includes $646 million for community and business programs, $376 million for direct loans, $170 million for guaranteed loans of which $70 million was made available by the Disaster Assistance Acts of 1988 and 1989, and $100 million for water and waste grants.

The guaranteed loans would be available to the more financially secure communities that can obtain credit from private lenders with minimal Federal assistance. Our experience with the loan purchase program the last several years demonstrated that many communities are able to afford private credit and do not have to rely on Government-subsidized credit.

We are requesting $350 million for water and waste loans. Of this amount $300 million is direct and $50 million is for guaranteed loans. For the community facility program, we are requesting $96 million to be divided into $46 million for direct loans and $50 million in guaranteed loans. Both direct water and waste disposal loans and direct community loans will be targeted to those communities with the greatest need.

Lending through the Rural Development Loan Fund would be increased from $19 million in 1990 to $30 million in 1991. These direct loans are offered at one percent so that the nonprofit entities and jurisdictions that use the program can build regional or local revolving funds and still offer extemely low interest rates. This is intended to replace the business and industry guaranteed loan program.

An appropriation of $1.7 billion is requested for reimbursement to the Rural Development Insurance Fund for interest assistance and other losses, of which $923 million is associated with the discount purchase program in FY 1989.

SALARIES AND EXPENSES

The budget request includes a direct appropriation of $448 million within total Salaries and Expense costs of $602 million to cover the cost of administering the overall loan portfolio and providing credit counseling and services to our more than 1 million borrowers.

While approximately 2,200 FmHA offices are automated and now utilize computers on a daily basis to provide improved loan making and loan servicing to rural

Americans, FmHA continues to recognize that people are its most valuable resource. To enable us to keep pace with the complexities of our programs and to meet legislated mandates, we are asking for 425 additional staff years.

This increase, coupled with the shift to more guaranteed lending, can significantly increase our effective field force to work with borrowers who need extra help in obtaining and keeping needed credit. The employees associated with these staff-years are expected to be hired this year so that they can be trained and available to increase our loan servicing efforts for the full fiscal year of 1991.

Mr. Chairman, our 1991 budget request is, above all, realistic. While meeting the basic needs of the rural residents and communities of the Nation, it recognizes the constraints we must live with to diminish the Federal deficit. We believe our request accommodates the needs of Rural America and the fiscal limitations we all face today.

This concludes my formal statement. We have attached our Brief History of FmHA publication which has charts and other information on program activity through fiscal year 1989. I will be happy to answer any questions. Thank you.

La Verne Ausman
Administrator
Farmers Home Administration
U.S. Department of Agriculture

President George Bush appointed La Verne Ausman Administrator of the USDA's Farmers Home Administration on March 13, 1990.

Previously, Mr. Ausman served as Deputy Under Secretary of Agriculture for Small Community and Rural Development from April 1987 to April 1989. His first assignment at USDA was in May 1986 as Director of Intergovernmental Affairs.

Mr. Ausman was Secretary of the Wisconsin Department of Agriculture, Trade, and Consumer Protection from 1981 to 1986. Other public service included a year as District Director for U.S. Congressman Steve Gunderson, two years as Commissioner, Wisconsin Labor and Industry Review Commission and four years as a State Representative in the Wisconsin Legislature. He has also served as a Town Supervisor and an Agency School Committee Chairman.

Born in 1930, Mr. Ausman grew up on the family farm in Elk Mound, Wisconsin. In 1949, he and his wife Bev began farming in partnership with his father George Ausman. In 1963, his father retired and the Ausmans operated the dairy-beef farm until 1977 when they were joined by their son John in a corporate arrangement that continues today. The Ausman-family farm has been operated continuously since 1860.

He has served as president of a number of agricultural organizations including Dunn county Farm Bureau, the Tri-State Breeders Cooperative, and the Midwest Association of State Departments of Agriculture. He was also a member of the Board of Directors of the Wisconsin Farm Bureau and Chairman of the State Board of Soil and Water Conservation Districts. As an officer in the Mid-America International Agri-Trade Council, Mr. Ausman led a number of trade missions to Europe and Asia.

The Ausmans served as 4-H Club leaders for 25 years. Among his many awards are the 4-H Alumni Award, the Future Farmers Of America Blue and Gold Award, an Honorary State FFA Degree, the Distinguished Agriculturalist Award from the University of Wisconsin-River Falls. He is also a Distinguished Service Member of the Alph Gamma Rho national agricultural fraternity.

La Verne and Bev Ausman live in Oakton, Virginia. They have two grown children; John and his wife Mary live on the farm in Elk Mound and Georgia Ann, who is married to Dr. John Brancroft, lives in Cincinnati, Ohio.

United States
Department of
Agriculture

Farmers
Home
Administration

February 1990

A Brief History of Farmers Home Administration

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Revised February 1990

A BRIEF HISTORY OF FARMERS HOME ADMINISTRATION

Farmers Home Administration (FmHA) is the credit agency for agriculture and rural development in the U.S. Department of Agriculture (USDA). In 1989, the agency marked 54 years of financial and technical assistance to rural America. This service has been performed under the successive names of Resettlement Administration, Farm Security Administration, and Farmers Home Administration.

When it began in 1935, the agency's original function was to make loans and grants to Depression-stricken families and help them regain self-sufficiency in making their living on family farms. For 54 years, FmHA has been concerned primarily with credit and counseling services that have supplemented resources of the private sector for building strong family farms. In 1989, farm credit still accounted for almost one-half of all resources administered by FmHA.

During the last two decades, Congress created additional nonfarm programs to benefit families and communities in rural areas. These programs have helped to provide safe, modest housing; modern, sanitary water and sewer systems; essential community facilities; and job- and economy-boosting business and industry in rural areas. These are reflected in the current mission statement which directs FmHA to "serve as a temporary source of supervised credit and technical support for rural Americans for improving their farming enterprises, housing conditions, community facilities, and other business endeavors until they are able to qualify for private sector resources."

FmHA has been a leading force in spreading the outreach of nongovernmental lending institutions into rural sectors that lacked access to such financial resources.

Over the years, FmHA has developed a credit system that reaches the county level. The agency has 11,558 permanent full-time employees who serve rural America from 46 State offices, 264 district offices, and 1,904 county offices, plus the National Office in Washington, D.C. Service is provided in every rural county or parish in the 50 States, plus the Pacific Trust Territory, American Samoa, Guam, Puerto Rico, and the Virgin Islands. FmHA's network of offices enables it to maintain a close, one-on-one relationship with its borrowers.

FmHA's existing system of personal contact across the country has established it as a lead agency for rural development. Congress and the Administration continually recognize FmHA's long experience in serving rural communities and farm families and have over the years expanded old services and created new ones.

FmHA loans and grants supplement the amount of credit and capital directly available from commercial lenders in rural areas. In most programs, the agency makes loans to qualified applicants who can find no other sources of financing available on terms or conditions they can meet.

The money loaned by FmHA comes from collections on previous loans, or from private investors through sale of Government securities. In guaranteed loan making, funds are supplied directly to borrowers by commercial lenders, with FmHA minimizing the lender's risk.

Grants for rural water and waste disposal systems, farm labor housing, home repair for low-income elderly people, and "self-help" homebuilding by low-income families supplement the agency's rural lending program.

EARLY CREDIT HISTORY

On July 17, 1916, President Woodrow Wilson signed the Federal Farm Loan Act and marked the beginning of Federal involvement with agricultural credit. The act created the Federal land banks and the joint stock land banks which were designed to provide farmers with a dependable source of long-term credit at low interest.

Emergency crop and seed loans were provided by Congress through the Secretary of Agriculture from 1918 through 1931. These "feed, seed, and fertilizer" loans were made to assist farmers in designated areas that had suffered unusual hardships, such as droughts and floods, and who could not obtain credit elsewhere. In 1931, these loans were available on a nationwide basis. They usually were limited to $400, with the average loan being $125.

The Reconstruction Finance Corporation (RFC) was established January 22, 1932, and began operation on February 2, 1932. It was charged with meeting emergency credit situations throughout the country, helping maintain economic stability, and assisting in promoting maximum employment and production. It provided the funds to organize 12 Regional Agricultural Credit Corporations (RACC) through which operating loans were available to farmers, particularly ranchers, with no other sources of credit.

In the fall of 1932, when Franklin D. Roosevelt was elected President, the need for rural credit was one of the country's major problems. As in the rest of the country, rural banks were closing, farm prices were at an all-time low, unemployed city dwellers were going "back home" to the farms, and sources of credit had evaporated. Angry and threatening crowds of farmers at frequent tax and foreclosure sales were common occurrences.

When Roosevelt was inaugurated on March 4, 1933, he began additional Federal Government attempts to provide agricultural assistance. On March 27, 1933, he issued an Executive Order to be effective May 27, establishing and consolidating within the Farm Credit System, all the functions, powers, and funds of existing Federal agricultural credit agencies.

These included the Federal land banks, Federal land bank associations, the joint stock land banks, the Federal intermediate credit banks, the 12 RACC's from the Reconstruction Finance Corporation, and the crop and seed loans from USDA. The Governor of the Farm Credit Administration could authorize larger loans under the Emergency Crop and Feed Loan program (as it was known in March 1933) to farmers in distressed areas as determined by the Secretary of Agriculture. The Farm Credit System also would include funds for the Secretary of Agriculture to invest in agricultural credit corporations and livestock loan companies, which Congress hoped farmers would use to support organizations that could discount notes with the Federal intermediate credit banks.

By May 12, 1933, Roosevelt had signed the Farm Credit Act of 1933, rounding out the permanent group of banks and associations that make up much of the same cooperative Farm Credit System of today. This act established the production credit corporations, one in each of the 12 Federal land bank districts, to organize, finance and supervise the authorized local production credit associations (PCA's). The act also established 12 district banks for cooperatives, plus the Central Bank for Cooperatives in Washington, D.C.

On May 12, 1933, Roosevelt also signed the Federal Emergency Relief Act, which is considered the "unofficial" origin of FmHA because of its roots in the rural rehabilitation efforts authorized by the act.

As a result of the Farm Credit Act, the PCA's assumed the functions of the 12 RACC's in 1933, and by the end of 1934, about 30 percent of their loans had been taken over. The RACC's continued for a time to finance some special loans the PCA's could not handle, and in 1943, loans were made for production of food and fiber needed for World War II.

The Rural Rehabilitation Division, functioning under the Federal Emergency Relief Administration, was organized in April 1934 by authority of the Federal Emergency Relief Act of 1933. However, the rural rehabilitation agency had no basic laws to govern its actions. It was headed by Rexford Tugwell, remembered for his unusual projects such as several low-rent "greentowns" on the far outskirts of a few cities, and government loan programs for smaller farmers--programs that typically involved getting the borrowers to agree to operate their farms under new farming plans drawn up by the county rural rehabilitation representative.

Rural rehabilitation corporations were established in about 40 States to make loans to destitute farm families to enable them to remain on the land, continue their farming operations, and reduce the number of people on the relief rolls.

This approach to farm lending was quite different from that of the Farm Credit System's "business" type loans that were dependent for their financing largely on the sale of their securities to investors without any government guarantee.

In those early days, the differences in philosophies of the two agricultural lending organizations were pronounced. At one point in the early 1930's it was suggested that the Rural Rehabilitation Division should be incorporated into the Farm Credit

System. In the early 1940's there were suggestions that all or part of the Farm Credit System might be taken over by the successor to the rural rehabilitation agency, the Farm Security Administration. In 1946, a bill was introduced in Congress which would have combined the Farm Security Administration and Farm Credit System into a new agricultural credit agency. This proposal died in the Senate. Eventually Congress enacted a law to govern the Farm Security Administration which placed some limits on its activities.

After the establishment of the Farmers Home Administration in 1947, under a statute passed in 1946, much of the talk of merger and takeovers subsided, along with criticism from Congress and farm groups.

RESETTLEMENT ADMINISTRATION

The "official" lineage of FmHA goes back to April 30, 1935, when President Franklin D. Roosevelt signed Executive Order 7027, creating the Resettlement Administration as an independent agency. On June 19, 1935, the Administrator of the Federal Emergency Relief Administration ordered the depression-era programs and functions of the Rural Rehabilitation Division to be transferred to the new agency. On January 1, 1937, all powers and duties vested in the Resettlement Administration were formally assigned to the Secretary of Agriculture.

During its 2-year existence, the Resettlement Administration offered various approaches to solving the problems of poor people and poor land, the most popular of which was the supervised loan program. These loans were part of a Governmentwide effort to help needy rural people reestablish themselves on a self-supporting basis.

The Resettlement Administration made more than 300,000 short-term loans, often supplemented by grants to low-income farm families. Each loan was based on a farm and home management plan worked out by county, farm, and home supervisors in cooperation with the borrowing family. The plans were designed to ensure the use of good farming practices and to fit the needs of the families taking part in the program.

By 1937, there was a growing conviction in USDA and in Congress that supervised credit as pioneered by the Resettlement Administration was the answer to a worsening national problem of hardship and failures among tenant farmers. The scope of loan assistance was broadened on July 22, 1937, with the passage of the Bankhead-Jones Farm Tenant Act which authorized tenant farmers to obtain loans to purchase farms of their own. In 1937, 40 percent of U.S. farms were operated by tenants and sharecroppers who, because of their uncertain farming tenure, rarely made improvements in land or buildings, nor did their landlords.

The Resettlement Administration was given the responsibility for the new program of supervised farm ownership loans with 40-year terms for farmers who lacked other sources of credit for buying their own land and for farm and home improvement. County committees were set up to select borrowers and approve loans. The tenant purchase loans never reached a high level in the volume of dollars involved or families aided. The program, however, attracted a great deal of attention as it represented the realization of the American dream of people with almost no resources being able to become landowners.

Also enacted in 1937 was the Water Facilities Act to provide loans for individuals and association farm water systems in 17 Western States where drought and water shortage were familiar hardships. The Resettlement Administration shared servicing responsibilities of the program with the Soil Conservation Service and the Bureau of Agricultural Economics. This act was the forerunner of the rural water programs now administered by FmHA.

FARM SECURITY ADMINISTRATION

On September 1, 1937, the Farm Security Administration (FSA) was created as successor to the Resettlement Administration. All functions, funds, personnel, and properties were transferred to the new agency. Its primary responsibilities were to make farm rehabilitation and farm ownership loans to farmers unable to borrow from usual sources of credit.

For the ensuing 9 years, FSA carried on supervised credit programs with farm and home counseling by county office staffs, including home economists. The success of a large percentage of these borrowers helped strengthen family farm agriculture and helped the Nation meet its awesome food-producing challenges in World War II. By 1941, FSA had made more than 13,000 loans to tenant families for the purchase of farms.

FSA also carried on Resettlement-oriented projects to establish new farms and communities, services in group medical care, agricultural cooperatives, migratory labor camps, and other social and economic programs.

In 1942, FSA was given full responsibility for the water facilities program in the 17 Western States.

FARMERS HOME ADMINISTRATION

By 1946, it was generally conceded both in and out of Congress and within the agency itself that a restructuring of FSA was necessary. Some old Resettlement programs were no longer justified, others could be improved, and new programs would be needed in the period following World War II.

Accordingly, on August 14, 1946, Congress passed the Farmers Home Administration Act. This measure, which took effect in 1947, reconstituted FSA under the new name Farmers Home Administration.

The Farmers Home Administration consolidated programs of FSA and the Emergency Crop and Feed Loan program of the Farm Credit Administration.

The Farmers Home Administration Act also gave the agency new authority to insure loans made by banks, other agencies, and private individuals, as well as to make direct Government loans. The act ended Rural Rehabilitation loans as federally administered programs. Over 3 million loans, totaling more than $1 billion, had been made since 1935 by the Resettlement and Farm Security Administrations.

In its first 3 years, the Farmers Home Administration confined its operations to development of supervised farm ownership and farm operating loan programs, and to water facilities projects in the 17 Western States.

The agency was commonly known as "FHA" until April 1974 when USDA formally adopted "FmHA" as the agency's abbreviation. This was done to easily distinguish Farmers Home Administration from other agencies having the same initials, such as the Federal Housing Administration and Federal Highway Administration.

EXPANSION OF FmHA SERVICES

The first of many additions to FmHA's portfolio of services, all made available to rural people through the agency's well-established system of county offices, came in 1949.

On April 19, 1949, the Regional Agricultural Credit Corporations were transferred to FmHA after lending a total of $662 million. The 12 RACC's and their 21 branches were gradually consolidated into one Regional Agricultural Credit Corporation in Washington whose purpose was to handle other specialized lending programs.

The following are highlights of Congressional acts from 1949 through 1989 that have molded FmHA's wide variety of services.

Title V of the Housing Act of 1949 gave FmHA authority to make housing loans to farmers as a part of the national housing program. The major housing programs under this legislation are Section 502, single family housing; Section 504, single family housing repair and rehabilitation; Section 515, rural rental housing; Section 523, self-help technical assistance grants; Section 523 and 524 site loans; and Section 533, preservation grants.

The Disaster Loan Act of 1949 originated special emergency farm loans for recovery from losses inflicted by natural disaster.

The Water Facilities Act was amended in 1954 to apply nationwide, rather than limited to the 17 Western States, and to let farm area water systems take on nonfarm customers in rural communities.

Rural development was given Federal program status by USDA administrative action in 1955. FmHA's first involvement was a pilot program of loans to small farmers who could not qualify for regular FmHA loans.

In 1959, FmHA began to make loans to local organizations to cover the local share of the cost of small watershed projects under Public Law 566.

Major overhauling and expansion of FmHA authorities came with passage of the Consolidated Farmers Home Administration Act of 1961. (In 1972, this title was changed to the Consolidated Farm and Rural Development Act, often referred to as the "con act.") Its principal provisions were the following:

- Raised limits on farmer loans to $60,000 for farm ownership, replacing a formula whereby each county's limit had been the average value of its family farms, and from $20,000 to $35,000 for farm operating purposes.
- Opened up the water system program to the general rural population, including incorporated towns of up to 2,500. The loan limit on a project (previously $250,000) was raised to $500,000 for a direct FmHA loan and to $1 million for an insured loan.

In 1961, Title V of the Housing Act was amended to make nonfarm rural residents eligible for FmHA's direct housing loans. These changes extended the housing program to towns of up to 2,500 population.

Still more expansion of FmHA services came in 1962. The Senior Citizens Housing Act set up loans for low-rent apartment projects designed to meet the needs of people age 62 and over. This type of housing was acutely lacking in rural communities.

Amendments to the Farmers Home Administration Act authorized loans for a shift in land use to outdoor recreational facilities built primarily to benefit rural people. The agency began to make loans to family farmers to set up farm-based recreation and other nonagricultural enterprises that would add to family income, and for association grazing ranges where family farmers and ranchers share the use of more grazing land for livestock production.

A pilot program for rural renewal, delegated to FmHA, launched experiments in several States to develop better community facilities, improve homesites and housing, and attract new industry to underdeveloped rural areas. Rural renewal was discontinued as an experimental program in 1969.

FmHA also was authorized in 1962 to make loans covering local project costs in areas designated for benefits of a resource, conservation, and development program which, like the small watershed program, is supervised by USDA's Soil Conservation Service.

From 1963 to 1975, recreation loans to Associations were made to help rural communities obtain needed community recreation facilities to support rural development by stimulating economic activity and to serve family recreational needs in rural communities. (P.L. 87-703 - September 27, 1962)

The Economic Opportunity Act of 1964 established loans to low-income rural people for small farm improvements or nonfarm enterprises that would add to family income. FmHA performed the lending through its county offices with funds provided by the Office of Economic Opportunity until 1971. The agency made nearly 65,000 loans totaling $109.3 million to individuals and 1,476 loans totaling $21 million to cooperatives.

EXPANSION OF PROGRAMS TO PRESENT LEVELS

The expansion of old programs and enactment of new ones during the first 4 years of the 1960's raised FmHA's total loan and grant volume from the $300 million level of fiscal year 1960 to $750 million in fiscal year 1965.

In 1965, the water facilities loan program was transformed into a loan-and-grant program for both water and waste disposal systems. At the same time, rural towns up to 5,500 were made eligible for FmHA-financed projects, and the limit on FmHA financing of a project was raised to $4 million.

Rural housing was changed from a program of direct loans to one of insured loans, and the population limit on towns served through FmHA was raised from 2,500 to 5,500. This opened the way for the greatly increased housing services for rural people.

In 1966, senior citizens and younger low-income families became eligible for FmHA rural housing loans or tenancy in rural rental housing.

In 1968, an addition to Title V of the Housing Act of 1949 established the interest-credit housing loan program. It enabled some low-income families to pay as little as 1 percent interest and provided for subsidized loans to developers of low-priced rental housing for low-income families and senior citizens. New programs also were enacted in 1968 for rural homesite development loans and for grants toward support of "self-help" homebuilding group projects. Grants of up to 90 percent, as well as loans, were authorized for farm labor housing projects.

In 1968, Congress abolished a statutory annual ceiling of $450 million on FmHA-insured loan authority for farm ownership and community facilities combined, and raised the national total authorization for water-waste disposal grants from $50 million to $100 million a year.

In 1970, legislation was passed to remove technical barriers to the use of investors' FmHA-insured funds, rather than direct appropriated funds, for loans to tax-exempt public bodies such as municipalities and public service districts. That year marked the beginning of a period of rapid growth and increased service to small towns.

Amendments made in 1970 to the Housing Act of 1949 raised the population limit to 10,000 for a rural community where FmHA housing loans may be made.

In farm credit programs, the agency took action in 1970 to increase its cooperation with other lenders in jointly serving farm borrowers, with FmHA taking a second lien when the same security is mortgaged both for the FmHA and other lenders' loans. In 1971, the limit on a farm ownership loan secured by a mortgage on real estate was raised from $60,000 to $100,000.

The Rural Development Act of 1972, enacted August 20, 1972, gave USDA primary responsibility for Federal activities in support of rural development. It established the position of Assistant Secretary for Rural Development to coordinate this effort through the programs and expertise of FmHA, the Rural Electrification Administration (REA), and the Rural Development Service (RDS). In 1977, RDS was merged with FmHA, but in 1981 it again became a separate entity as the Office of Rural Development Policy (ORDP). In January 1986, ORDP was abolished and the rural development functions were assumed by the Under Secretary for Small Community and Rural Development. Beginning in 1987, the Under Secretary served as coordinator for renewed USDA rural development efforts.

In its other principal provisions affecting FmHA, the 1972 act--

* Authorized FmHA to guarantee loans made by commercial lenders for farming, housing, and rural business and industry, including enterprises in cities of up to 50,000 population.

* Abolished the limit of $4 million per project on FmHA financing of water and waste disposal systems, increased the national grant authorization for water and waste disposal to $300 million a year, and raised the population limit on towns eligible for FmHA-financed systems to 10,000.

* Authorized FmHA loans for other kinds of essential community facilities such as fire departments, community halls, hospitals, nursing homes, and other related facilities.

- Authorized FmHA grants to improve rural industrial sites.
- Authorized area assistance planning grants.
- Authorized FmHA to make investor-funded insured loans for farm operating purposes, and raised the limit on farm operating loans from $35,000 to $50,000.
- Authorized youth loans to rural young people under age 21 for farm or nonfarm income-producing enterprises supervised through schools or organizations, such as 4-H Club and Future Farmers of America programs.
- Set $225,000 as the maximum permissible debt against farm property on which FmHA and a cooperating lender may simultaneously hold liens. This enabled FmHA to participate in larger loans up to its limit of $100,000 to family farmers and ranchers.

The emergency loan program to help farmers recover from natural disaster underwent a short-lived expansion in 1972. An act of Congress, stimulated by the Hurricane Agnes disaster in Northeastern States, liberalized emergency loan terms nationwide and decreed nonrepayment of the first $5,000 to cover actual loss. After the cost mounted to about $550 million within a few months, the program was suspended and Congress in 1973 returned emergency loans to a fully repayable basis.

Legislation in 1975 established separate categories of disaster emergency loans to cover losses and to finance resumption of farm production operations. Under the Small Business Development Act of 1980, FmHA was given authority to make unsubsidized emergency loans to farmers who are able to get credit from commercial lenders. The law limits loans to these creditworthy borrowers for actual loss only.

A special Emergency Livestock Credit Act for FmHA's guarantee of commercial lenders' loans to livestock and poultry producers in financial distress was enacted July 25, 1974. The program expired September 30, 1979. Under terms of the program, FmHA guaranteed a maximum $350,000 worth of commercial credit for an eligible borrower. Loan guarantees totaling $1.5 billion of principal outstanding were authorized. About $1 billion of this credit was used by farmers and lenders.

Under amendment of the Housing Act, passed in 1974, FmHA in 1976 introduced its housing loans into towns of 10,000 to 20,000 population outside Standard Metropolitan Statistical Areas (SMSA's)* and certified by the Secretaries of Agriculture and Housing and Urban Development (HUD) to be lacking in mortgage money from other sources. Later in 1976, Congress revised the criteria for serving the larger non-SMSA communities by specifying that consideration be based on shortage of mortgage loan funds for families of low and moderate income. Housing Act amendments of 1974 also authorized extension of FmHA housing loan services to U.S. island territories, including trust territories in the Pacific. (Service was initiated on Guam in 1976 and other islands in 1977.)

The guarantee of commercial lenders' housing loans to families of moderate income was implemented in January 1977 under authorities provided in the Housing and Rural Development Acts. However, under the Housing Act Amendments of 1977, guarantee of housing loans was limited to families with above moderate income.

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* Name changed to Metropolitan Statistical Areas (MSA's) in 1984.

The Emergency Agricultural Credit Adjustment Act, enacted August 4, 1978, substantially changed the farm programs of FmHA and added a new program of economic emergency loans. The new program authorized FmHA to make or guarantee loans of up to $400,000 to farmers or ranchers hard pressed by shortages of credit from regular sources or by a cost-price squeeze. The agency was authorized to carry a maximum of $6 billion in economic emergency loans at any one time. The loans could be used to refinance certain outstanding debts, reorganize the farming operation, and pay other operating expenses. However, funds could not be used to expand farming operations.

The 1978 Agriculture Credit Act also made changes in existing programs --

- Expanded eligibility for farm loans to family corporations, cooperatives, and partnerships, as well as individuals.
- Increased loan limits to $200,000 for insured and $300,000 for guaranteed farm real estate loans and to $100,000 for insured and $200,000 for guaranteed farm operating loans.
- The interest rate for farm ownership loans was changed to be based on the cost of borrowing to the Government. Special interest rates on ownership and operating loans were made available for limited-resource farmers.
- The maximum allowable grant for water and waste disposal projects was increased from 50 percent to 75 percent.
- Revoked the requirement that the Department of Labor clear business and industrial loans of less than $1 million and when employment is less than 50 people.

Powerplant and Industrial Fuel Use Act of 1978 (Section 601) provided energy impact assistance grants to rural communities which faced problems of rapid growth due to new coal and uranium mining. This was sometimes referred to as the boomtown program. Grants were available for planning as well as acquiring and developing sites for housing and public facilities.

Energy impacted areas were designated by State governors and approved by the U.S. Department of Energy. By the end of 1981, approximately 400 grants had been awarded to communities within the designated 24 States. The program has not been funded since 1981.

The Rural Development Policy Act of 1980 gave USDA a leadership role in coordinating a nationwide rural development program. Among other provisions, it created the position of Under Secretary of Agriculture for Small Community and Rural Development and increased FmHA's annual authorization for Section 111 planning grants.

The planning grants under Section 111 had been authorized by the Rural Development Act of 1972. The grants were made to States, substate districts, local governments, and certain community-based organizations to encourage and help meet the cost of comprehensive planning in rural areas. Grants were used for planning a wide variety of services including water, sewer, housing, energy, and economic development. Through its final year of funding, fiscal year 1981, the Federal Government made 605 grants for a total of $19 million.

The Energy Security Act of 1980 was a $20 billion comprehensive synthetic fuel measure designed to spur the production of 500,000 barrels of synfuels daily by 1987 and 2 million barrels by 1992. Small-scale projects (less than 1 million gallons per year) with a loan amount of less than $1 million, and intermediate projects (over 1 million and less than 15 million gallons) became eligible for FmHA financing.

Although the 1978 Emergency Agricultural Credit Adjustment Act set May 15, 1980, as the expiration date for the economic emergency loan program, PL 96-220, enacted in March 1980, extended authority for the program until September 30, 1981. In 1983, the U.S. District Court in Washington, D.C., directed FmHA to reopen its economic emergency loan program for a limited time, from December 22 through September 30, 1984.

Amendments to the Housing Act, enacted on November 30, 1983, created changes in the single-family and multifamily housing programs of FmHA. The new legislation directed FmHA to give priority to serving very-low-income households and making its housing assistance more affordable to low-income persons in rural areas. The law required that FmHA revise its income definitions to be consistent with HUD's and to also accept any of the voluntary national model building codes and HUD minimum property standards, in addition to the FmHA construction standards.

Other provisions of the law:

- Permit FmHA to extend single-family home mortgages from 33 years up to 38 years to persons whose incomes do not exceed 60 percent of the area's median income.
- Authorize FmHA to make single-family or multifamily housing loans for permanently sited mobile/manufactured housing units, including the lots on which they are located.
- Require not less than 40 percent of the homes financed nationally and 30 percent in each State under the section 502 (single-family housing) program to be for very-low-income families.
- Authorize up to $10 million for innovative demonstrations of housing and building systems that may differ from FmHA minimum property standards, while still providing adequate housing for low-income borrowers.
- Establish a new program of housing preservation grants to eligible organizations and units of government to rehabilitate single and multifamily housing.

Regulations implementing part of these changes in the housing laws went into effect October 1, 1985.

The Emergency Agricultural Credit Act of 1984, enacted April 10, 1984, significantly changed FmHA's farm operating and emergency loan programs.

In the emergency loan program, for disasters occurring after May 30, 1983, farmers in counties bordering designated counties were eligible to apply for emergency loans and the application period was extended from 6 months to 8 months.

In the operating loan program, loan limits on new loans were raised from $100,000 to $200,000 for insured loans and from $200,000 to $400,000 for guaranteed loans.

The maximum repayment period for rescheduled or consolidated emergency and operating loans increased from 7 to 15 years from the date of the original note. A loan which is rescheduled may be changed to a limited resource loan for a qualified borrower.

Other changes in the law:

* Permitted interest rates on operating, farm ownership, or emergency loans that are deferred, consolidated, rescheduled, or reamortized to be set at the original rate or the current rate, whichever is lower.

* Required 20 percent of operating and farm ownership funds to be allotted to limited resource borrowers.

* Prohibited FmHA employees involved in the loan review process from buying land for three years wherever another person has applied for and been denied an FmHA loan to buy the same land.

Quotas of lending to very-low- and low-income families for homeownership were clarified under a supplemental appropriations bill signed July 2, 1984, and the "Housing and Community Development Technical Amendments Act of 1984," signed October 17, 1984.

Based on a 4-person household with adjustments for family size, very low income is defined as not more than 50 percent of an area's median income. Low income is not more than 80 percent of the area's median income.

President Ronald Reagan announced a 1-year Farm Credit Initiative program on September 18, 1984. This debt-restructuring plan was designed to assist farmers who were good managers, but experiencing severe financial difficulty. Major initiatives provided:

1. A one-time, interest-free, debt set-aside of up to 25 percent or a maximum of $200,000 (whichever was less).

2. An FmHA guarantee of 90 percent on loans made by other lenders to non-FmHA borrowers, provided the lenders agreed to write off at least 10 percent of their borrower's debt, up to the amount needed to achieve a positive cash flow.

Initiative one expired on September 30, 1985, and initiative two was discontinued on January 13, 1989.

On February 6, 1985, Agriculture Secretary John R. Block announced measures to assist financially troubled farmers. They included:

* An interest write-down option in addition to the existing principal write-down option for guaranteed loans.

* An emergency credit assistance program for farmers whose banks have failed. FmHA could provide a guarantee for new crop loans on a 1-year basis.

The Food Security Act of 1985, enacted December 23, 1985, made major changes in farm loan eligibility and provided additional protections for borrowers undergoing serious financial difficulty.

For farm operating and ownership loans, eligibility was extended to "joint operators." Eligibility also was extended to include persons related by blood or marriage.

Eligibility for emergency loans was limited for the first time to family-size farms.

FmHA farm borrowers who are unable to continue their operations could, under certain conditions, retain their dwelling and a reasonable amount of land or, under other authority, lease back their farm with an option to buy. Other key provisions of the 1985 Act included:

* A requirement that two of the three FmHA county committee members be elected by farmers in the community instead of being appointed.

* An interest rate reduction plan in which FmHA would match, up to 2 percentage points, the reduction in interest by the lender on a guaranteed loan, making a reduction of 4 percentage points possible. FmHA then gives its matching share to the lender.

* A conservation easement program under which a farmer unable to make loan payments to FmHA could, under certain circumstances, sell an easement on wetland, upland, or highly erodible land for conservation purposes for 50 years in exchange for a reduction of the FmHA debt equal to the value of the land in the easement.

* A provision to allow farm borrowers, under certain circumstances, to reamortize a distressed loan with the use of future revenue from softwood timber crops produced on marginal farmland.

To further extend the Agency's ability to assist farmers in need of credit, FmHA conducted "Operation Assist" from 1986 through 1988. Under this program, if a county office exhausted its direct operating loan funds, the County Supervisor would personally escort a qualified farmer to a bank or other lending institution to seek a guaranteed loan.

The Agricultural Credit Act of 1987 made substantial changes in the way FmHA services its farmer program loans. The law added a provision to permit FmHA farmer program loans to be written down to the recovery value of the collateral if the borrower has a feasible plan to continue the farming operation. Loans could be written down only if the restructured loan would result in recovery to the Government that would be equal to or greater than the amount recovered through foreclosure.

The act of 1987 also expanded preservation loan servicing programs which include homestead protection and leaseback-buyback of farm land. The homestead protection provisions of the 1987 act permit the borrower to retain the home and a reasonable number of farm outbuildings and up to 10 acres of adjoining land.

The law also changed the structure and the conduct of appeals within FmHA. An independent appeals unit was established, staffed with hearing officers assigned exclusively to appeals. Appeals formerly were conducted through FmHA's chain of command from district directors to State directors to the National Office.

The act authorized USDA to certify agricultural loan mediation programs in States upon a governor's request. USDA also was authorized to make grants to States to support half the cost of mediation programs, up to $500,000 per State.

Other key provisions of the Agricultural Credit Act of 1987 included:

* A restructuring program for guaranteed loans, which allows the lender to write down the guaranteed loan and FmHA to treat the amount of the writedown as a loss claim.

* A requirement that all farm real estate which reverts to FmHA control must first be offered to former owners, family members, and previous operators.

* An extension of the interest rate buy-down program through 1993. FmHA developed a demonstration project under which FmHA guaranteed loan applicants can buy properties from the Farm Credit System.

* Establishment of a socially disadvantaged group outreach program to assure that members of such groups have an opportunity to buy or lease inventory farm property.

* A provision that one FmHA borrower may serve as a member of a county committee. County committee members are no longer required to derive the principal part of their income from farming.

* Authority for FmHA under certain circumstances to transfer to any Federal or State agency--for conservation purposes--any farm real estate in its inventory.

In 1987, FmHA completed an historic sale of Government assets. Based on requirements of the Omnibus Budget Reconciliation Act of 1986 and the Continuing Resolution of 1987, Farmers Home sold portions of its rural housing and community programs loan portfolios to the public. The loans were sold on a nonrecourse, taxable basis. The agency realized more than $3.3 billion from these sales. Before completing the community program loan sale, Farmers Home offered to sell the loans back to borrowers under the Discount Purchase program.

In 1988 and 1989, FmHA offered water and waste disposal and community facilities loans to borrowers under the Discount Purchase program. These sales amounted to $2 billion.

AN UNDUPLICATED RURAL RESOURCE

FmHA programs operate as a supplement to credit made available by private lenders, not in competition with them, and as a helping hand to a family or community whose progress is blocked by lack of credit resources.

A family in need of farm financing, or a loan for an adequate home, may be of modest circumstances and lack credentials for conventional credit. A rural locality may be without a local lending institution, financial needs of the area may exceed the capacity of institutions that are there, or a rural community may not be able to qualify for financing through the conventional bond market.

In circumstances such as these, resources brought within reach through FmHA help to make up for shortages in local and private resources. FmHA lends money raised throughout the Nation from investors in Government securities and also guarantees loans made by city banks and other commercial lenders. In doing so, FmHA relays into the rural United States a flow of outside capital needed for farm, home, community, and rural economic development.

Historically, the availability of credit through FmHA, when none other was to be found, has enabled hundreds of thousands of farm families to keep their foothold on the land rather than abandon farming.

Through the years, FmHA has enabled 1.5 million poorly housed rural families to move into adequate homes. The agency is currently helping approximately 13,700 borrowers obtain modernized central water and sewer systems.

The "supervised loan" principal adopted by the agency in its earliest years is still necessary to help borrowers achieve the purposes of their loans and to pay back what they have borrowed. Loan losses written off during the 54 years of the agency amount to 3.13 percent of principal advanced.

SOURCES OF FUNDS

FmHA loans classified as "insured" are made from three revolving loan funds. The oldest is the Agricultural Credit Insurance Fund (ACIF), established when FmHA began to make insured loans in the 1940's, and now the fund from which all farmer-program loans are made. The Rural Housing Insurance Fund (RHIF) was established with inauguration of insured rural housing loans in 1965. The Rural Development Insurance Fund (RDIF), established under the Rural Development Act of 1972, took over from ACIF the agency's lending for water, sewer, and other community facilities, and for business and industrial development.

The revolving funds are replenished by the incoming flow of loan repayments, the sale of Certificates of Beneficial Ownership to the Federal Financing Bank, and appropriations from Congress.

Prior to 1974, investors received actual notes or other security instruments FmHA had taken from borrowers. The investor supplied to FmHA an amount equal to principal owed on the note and the agency guaranteed repayment of the investments with interest. As borrowers repaid loans, payments were made to investors and the value of the investment was reduced. Until 1970, with FmHA program levels requiring less than $1 billion a year of note marketing, sales were conducted directly from FmHA. From 1970 through 1973, as marketing requirements rose to more than $2 billion a year, the agency increased sales by marketing large blocks of notes to security dealers, who in turn sold them to trust funds and other large investors.

In 1974, FmHA discontinued the marketing of actual notes and introduced a new investment security instrument, the Certificate of Beneficial Ownership (CBO). CBO's are issued against pools of loan notes and signify that investors will share in interest earnings. Since 1977, FmHA has placed CBO's only with the Federal Financing Bank, an institution closely related to the Department of Treasury, and has sold no CBO's to the public.

FmHA's authority to guarantee loans made by commercial lenders is contained in The Rural Development Act of 1972. Under the guaranteed loan program, FmHA does not lend directly to individuals, but serves as a guarantor to other lenders. The lender and the applicant negotiate the loan terms between themselves: Collateral requirements, repayment terms, interest rates and other items. The guarantee is an agreement to pay the lender up to 90 percent of loss in the event the borrower defaults.

Practically all of the funding for the agency's business and industry program which began in 1974 has been through guaranteed loans. The agency also offered guaranteed housing loans to above moderate lenders in 1978-79. Guaranteed loans were used for the Emergency Livestock (EL) loan program which was active from 1974 through 1979. The Economic Emergency (EE) loan program, conducted from 1978 through 1981, and again for most of 1984, included some guaranteed loans.

New emphasis was placed on guaranteed loans for the more traditional farm programs in the early 1980's. That trend was reinforced in the 1985 Farm Bill (Food Security Act), which directed a phased-in shift toward guaranteed loans. Congress has endorsed this policy by authorizing, each year, larger and larger allocations for guaranteed farm loans and smaller amounts for direct (or insured) loans. The Agricultural Credit Act of 1987 states that it is the "sense of the Congress: that USDA should "issue guarantees for loans under the Consolidated Farm and Rural Development Act, to the maximum extent practicable." For fiscal year 1989, guaranteed loan funding accounted for 53 percent of farm program funding.

SUMMARY BY PROGRAM AREA

From the beginning of the Resettlement Administration in 1935 until the end of fiscal year 1989, a total of $155,964,419,072 was advanced or obligated in over 10 million loans and grants made through FmHA and its predecessor agencies.

Program by program, the all-time totals as of September 30, 1989, are shown on page 24. The unpaid principal owed to FmHA on all FmHA loans as of September 30, 1989, totaled $58,756,241,555, including guaranteed loans.

The annual volume of programs, making FmHA the largest Federal loan agency dealing directly with borrowers, reflects the emphasis during the 1960's and 1970's on resources for development or revival of the whole rural community. Money spent annually on programs increased from $300 million to $1.6 billion during the 1960's. Since then, the following annual levels have been recorded (in thousands):

FY 1970 --	$1,639,749
FY 1971 --	2,414,316
FY 1972 --	2,789,806
FY 1973 --	3,754,934
FY 1974 --	3,601,475
FY 1975 --	5,486,089
*FY 1976 --	7,190,920
FY 1977 --	7,255,534
FY 1978 --	11,111,102
FY 1979 --	14,601,635
FY 1980 --	12,965,758
FY 1981 --	13,975,037
FY 1982 --	8,778,217
FY 1983 --	7,314,494
FY 1984 --	7,995,093
FY 1985 --	9,511,665
FY 1986 --	7,001,008
FY 1987 --	5,781,145
FY 1988 --	5,151,060
FY 1989 --	5,076,496

*Includes Transition Quarter

The downward dip between fiscal years 1973 and 1974 was attributed to an exceptionally great outlay for farm emergency loans in 1973 and a January-June moratorium on new subsidized housing that decreased the backlog of loan applications for fiscal year 1974. The high volumes from 1978 through 1981 included record levels for farm emergency, housing, community facility, and business and industrial programs.

Following are summaries of current FmHA services.

FARMER PROGRAMS

FmHA finances farmers who cannot get the credit they need from other lenders at reasonable rates and terms. Figures indicate FmHA held 7 percent of the total outstanding farm debt in 1978. That percentage has steadily increased and stood at 15.6 percent at the end of 1989.

The average size of farm loans made by FmHA in fiscal year 1989 ranged from $41,700 for a direct operating loan to $143,400 for a guaranteed farm ownership loan. The overall average was $60,460. The averages by types of loans are as follows: direct farm ownership, $81,100; guaranteed farm ownership, $143,400; direct operating, $41,700; guaranteed operating, $89,200; and disaster emergency, $26,200. Interest rates for guaranteed loans are negotiated between the lender and borrower. The interest rate for insured loans is set periodically by the Secretary of Agriculture, based on the cost of Government borrowing.

Farm ownership loans, insured or guaranteed, enable family-size farmers unable to obtain other sources of credit to buy, improve, or refinance farm real estate. Family-size farms operated by individuals, joint operators, partnerships, cooperatives, or corporations can be considered for eligibility. Loan limits are $200,000 for insured loans and $300,000 for guaranteed loans. Farm ownership loans are usually repaid over a 30-year term, but may be repaid in up to 40 years when a longer term is needed. Insured loan borrowers must refinance through conventional lenders when financially able, thereby "graduating" from FmHA credit. Loans are secured by mortgages on the farm real estate.

Farm operating loans, insured or guaranteed, are usually secured by chattel mortgages on crops, livestock, machinery, or other farm assets. Family farmers and ranchers unable to obtain other sources of production financing may be eligible. The limits are $200,000 for insured loans and $400,000 for guaranteed loans. Terms for operating loans usually range from 1 to 7 years, according to use of loan funds and repayment abilities, with a maximum repayment period of 15 years for consolidated or rescheduled loans.

Limited resource insured farm ownership and operating loans are made to farmers--owners or tenants--who, because of lack of experience, education or other essential resources, need a lower interest rate to service their debts and have a reasonable chance of success.

Disaster Emergency (EM) loans help farmers recover from actual production and physical losses inflicted by natural disasters such as drought, floods, freezes, hurricanes, tornadoes, and hailstorms.

To be eligible for an emergency loan, the county in which the farm is located must have been declared an emergency or major disaster area by the President, or determined to be a natural disaster area by the Secretary of Agriculture, or in some cases, by the FmHA Administrator. The FmHA Administrator can make the determination for severe physical loss loans only. Farmers in counties contiguous to a declared designated county may also qualify for EM loan assistance.

To qualify, applicants must be unable to obtain suitable credit elsewhere.

Other farmer programs include insured and guaranteed loans for improvement of soil and water resources.

HOUSING PROGRAMS

Housing credit was scarce in rural America until the late 1960's, and the consequences were visible throughout the Nation's towns and countryside. With 27 percent of the national population, rural America had 47 percent of the Nation's substandard housing. This meant that the ratio of bad housing to the number of families was twice as great in rural communities as in the cities.

A large-scale attack on rural housing blight was mounted by FmHA in 1965. Insured loan service comparable to Federal urban housing credit was made available to rural people of low or moderate income. Over 1.6 million new or existing family-owned homes have been financed and about 400,000 new apartment units have been built in rural communities. About one-third of the apartment projects fill the need of elderly people for low-cost rental housing.

Since 1949, FmHA has provided over $56 billion for housing. During fiscal year 1989, FmHA loans and grants provided over $2 billion in assistance for more than 64,000 living units. FmHA housing credit is available to eligible applicants to buy, build or improve modest housing or to provide affordable rental housing in rural communities with populations of less than 10,000 and some communities with between 10,000 and 20,000 people.

Individual home ownership (Section 502) insured loans go to families of very low, low, and moderate income, including senior citizens, who need adequate housing. Maximum term for repayment is 38 years. Interest rates vary according to the cost of Government borrowing. Interest credit, which may reduce the effective interest rate to as low as one percent, may be available to qualified low-income borrowers.

Very-low-income homeowners may be eligible for low-interest (Section 504) loans for repairs of up to $15,000 needed to remove health and safety hazards or to modernize their home. Very-low-income elderly homeowners may be eligible for a maximum loan of $15,000, a maximum grant of $5,000, or maximum loan-grant combination of $20,000 to make necessary repairs to their homes. In order to qualify for grant assistance, applicants must be 62 years of age or older and have an income so low they cannot repay all or part of a Section 504 loan amortized at one percent for 20 years.

Mutual self-help housing grants are made to eligible nonprofit or public organizations to assist low-income families who wish to work together to build their own homes. The grant is used to pay for technical assistance the families may need in constructing the home with their own resources.

Rental housing (Section 515) insured loans provide modern rental units, cooperative housing, congregate housing, and related facilities for persons with low and moderate incomes and for those age 62 and older in communities of not more than 10,000 population. Such loans may also be available in communities between 10,000 and 20,000 population if the facility is not within an SMA. The loans are repayable in not more than 50 years. Provisions are made for interest reductions under certain circumstances, so that low-income tenants may pay a rent within their means. Rent paid by low-income tenants also can be supplemented through a rental assistance program administered by FmHA or HUD's section 8 rent subsidy program.

Housing preservation grants (Section 533) provide qualified public and private nonprofit organizations with grants to assist very-low and low-income homeowners to repair and rehabilitate their homes in rural areas. Financial assistance to eligible homeowners may include loans, grants, interest reduction on commercial loans or other comparable assistance.

Farm labor housing loans (Section 514) and grants (Section 516) may be used to finance low-rent housing for domestic farm laborers. Funds may be used to build, buy, improve or repair farm labor housing and to provide related facilities in areas where a need exist.

COMMUNITY PROGRAMS

Water and waste disposal program -- FmHA and its predecessor agencies have financed approximately 16,240 water and waste disposal systems in rural areas and towns of up to 10,000 people. Public bodies, corporations operated on a nonprofit basis, and Indian tribes that are unable to obtain credit from other sources at reasonable rates and terms are eligible for assistance. Loan repayment can be scheduled for up to 40 years or the useful life of the facility. Interest rates are based on the current market yield of municipal obligations. Certain loans may be made at a lower rate. Applicants can have the option of the interest rate in effect at the time of loan approval or closing. In some cases, grants can be made to reduce user rates to a reasonable level for farmers, ranchers, and rural residents.

The Food Security Act of 1985 authorized the Technical Assistance and Training Grant program, which provides grants for private nonprofit organizations in rural areas that are experiencing water or waste disposal problems.

Community facilities -- The Rural Development Act of 1972 extended FmHA's lending authority to include loans to public bodies or nonprofit organizations for community facilities that provide essential services to rural residents. Fire protection, community halls, hospitals, nursing homes, medical clinics, libraries, and schools are among more than 30 categories of community facilities eligible for financing. Under this program, 5,735 loans have been made totaling over $2.6 billion.

Facilities may be in the rural countryside or towns of up to 20,000 population. Loan repayment can be scheduled for up to 40 years or the useful life of the facility. Interest rates are fixed for the life of the loan and are based on the current market yield for municipal obligations. Certain loans may be made at a lower rate. Additional interest charges may apply to projects located on prime or unique farmland.

Loan applications for public safety such as rescue or fire protection facilities and equipment receive priority status for funding. Joint funding of projects with other lending sources is emphasized in order to receive maximum benefit from program sources.

Other programs include -- (1) Loans to sponsoring organizations for local costs of projects developed under the resource conservation and development program and the small watershed program; (2) loans to Indian tribal organizations to buy privately owned land located within reservation boundaries; (3) loans to acquire land, lease permits and rights for development of grazing facilities; and (4) loans to develop drainage and irrigation and other facilities for soil and water conservation and use.

Also, in 1987, Farmers Home provided $20 million in loans and $14 million in grants to the Nonprofit National Corporations (NNC) program. Three NNC's were selected to help local businesses establish rural development projects. The projects are intended to create new businesses or expand existing ones, to help diversify the local economy, and to provide income to displaced farm families.

From FY 1974 through FY 1981 Farmers Home Administration administered the Industrial Development Grant program. Funding for the program resumed in FY 1987. These grants may be made to assist public bodies and nonprofit corporations in rural areas to finance and facilitate development of small and emerging private business. Grants may be made to establish revolving loan programs. Thirty-six grants for $6.5 million were made in FY 1989.

BUSINESS AND INDUSTRY PROGRAMS

The business and industry (B&I) loan program was legislated in 1972 through the Consolidated Farm and Rural Development Act in order to encourage business and industrial development in rural areas and to create or preserve employment opportunities in these areas. The program has been administered primarily as a guaranteed loan program in communities under 50,000 population, with emphasis on communities of less than 25,000.

During the life of the program, FmHA has obligated for guarantee 7,300 business and industry loans totaling $6.0 billion. In fiscal year 1989, 100 of these loans were guaranteed for $99.1 million.

Under the business and industry program, commercial loans, guaranteed up to 90 percent against loss of principal and interest, are made by lenders to individuals and corporations. The interest rate is negotiated between the borrower and the lender. Loans may be made for improving, developing, or financing business, industry, and employment.

With renewed interest in Rural Development, Farmers Home was a strong participant in efforts to help rural America rebound from recent economic hardships. While ongoing programs of farm, housing, and community program loans continued to support rural areas, the B&I program guaranteed $95.7 million in loans, generating or saving more than 7,731 jobs.

The Disaster Assistance Act of 1988 and the Disaster Assistance Act of 1989 each provided loan guarantees to public, private or cooperative organizations, Indian tribes, or other business entities which suffered financial loss or distress from natural disasters. Both programs are similar to FmHA's conventional B&I program and provide guarantees in much the same way.

The 1988 act authorized the Drought and Disaster (D&D) Loan Program which covered loss from disasters in 1988. The D&D program provided maximum loans of $500,000, guarantees of principal only, and authority to refinance a lender's own loan under certain circumstances. Applications must be completed by September 30, 1991. The act provided $200 million for this program. In FY 1989, 12 loans were obligated for $3.4 million.

The 1989 act authorized the Disaster Assistance for Rural Business Enterprises (DARBE) program which covers losses in 1988 and 1989. The DARBE program provided:

--maximum loans up to $10 million, (However, through adjustments in guarantees, FmHA's maximum liability cannot exceed $2.5 million.),

--guarantees on principal and interest, and

--loan for purposes such as hotels, motels, tourist or recreation facilities and agricultural enterprises.

Applications must be completed by September 30, 1991. The act provided $300 million for this program.

The Intermediary Relending Program (IRP) was authorized by the Health and Human Services Act of 1986 which amended the Food Security Act of 1985. Under the program, FmHA provides loans to public or private nonprofit organizations (intermediaries) that subsequently make loans to ultimate recipients for businesses or community development in rural areas. The interest rate to intermediaries is 1 percent with repayment terms up to 30 years. The maximum loan amount to one intermediary is $3 million. The program started in 1988 with nine loans approved for $13,990,000 and in FY 1989 13 loans were approved for $13,625,980. Funding authority for fiscal year 1990 is $19.5 million.

1989 OBLIGATIONS FOR ALL PROGRAMS

Nationwide and State totals of major FmHA loans and grants for fiscal year 1989 follow.

U. S. Department of Agriculture
Farmers Home Administration

Loans and Grants by Program -- Fiscal Year 1989

FARMER PROGRAMS	Number of Loans or Grants	Dollar Amount
Farm Operating Loans	30,380	$1,735,191,833
Farm Ownership Loans	3,311	400,092,002
Emergency Loans	2,806	73,492,620
Soil and Water Loans (individual)	360	5,938,880
Indian Tribe Land Acquisition Loans	1	120,000
Interest Buy-Down Program	(2,241)	15,376,149
State Mediation Grants	17	3,000,000
Farmer Programs Total	36,875	$2,233,211,484
RURAL HOUSING PROGRAMS		
Low-Moderate Income Housing Loans	35,452	$1,266,863,312
Compensation for Construction Defects (grants)	69	313,816
Very-Low-Income Repair Loans	3,437	11,307,148
Very-Low-Income Repair Grants	3,684	12,499,939
Rural Rental Housing Loans	759	554,934,380
Rental Assistance Program:		
Rental Housing (24,196 units)	2,081	273,037,652
Labor Housing (725 units)	9	2,264,635
Farm Labor Housing Loans	70	11,445,619
Farm Labor Housing Grants	11	9,734,294
Self-Help Housing Grants	35	10,200,000
Rural Housing Preservation Grants	158	19,140,000
Rural Housing Site Development Loans	1	428,000
Self-Help Land Development Loans	1	500,000
Rental Assistance Grant	1	88,376
Housing Programs Total	44,513	$2,168,984,654
COMMUNITY PROGRAMS		
Water and Waste Disposal Development Loans	679	332,880,000
Water and Waste Disposal Development Grants	344	122,698,512
Community Facility Loans	304	95,700,000
Rural Development Grants	36	6,500,000
Rural Development Loans	13	13,627,569
Business and Industrial Loans	100	99,121,540
Community Programs Total	1,476	$670,527,621
FmHA PROGRAMS, TOTAL		
Loans	77,674	4,617,019,052
Grants (FmHA)	6,445	459,477,224
FmHA Programs Total	84,119	$5,076,496,276
Grants other than FmHA (Appalach. & wste mgmt)	58	15,031,000

STATISTICS ON FmHA PERFORMANCE BY FISCAL YEAR
(Dollars in Billions)

I Number of Loans and Amount Outstanding as of End of Fiscal Year: 1/

	1987		1988		1989	
	Number Borrowers	Amount (Bil.)	Number Borrowers	Amount (Bil.)	Number Borrowers	Amount (Bil.)
Farm Operating	109,793	$ 5.9	109,083	$ 5.7	98,225	$ 5.2
Farm Emergency	102,967	8.6	97,634	8.4	88,575	7.7
Economic Emergency	42,859	3.5	41,286	3.4	37,120	3.1
Farm Ownership	118,379	7.5	114,839	7.3	109,389	7.0
RH 502/504	685,536	18.3	771,260	18.5	761,636	18.7
Rental Housing	14,307	7.8	15,962	8.4	16,485	9.0
Water & Waste	9,680	5.3	7,907	4.0	8,268	3.7
All Programs 3/	1,203,168	58.9	1,175,319	57.4	1,117,681	46.00

II Write-offs as Percent of Cumulative Advances (Insured and Direct Programs):

	1987	1988	1989
	Sept. 30th	Sept. 30th	Sept. 30th
Farm Operating.......	1.84%	2.87%	3.77%
Farm Emergency.......	1.98	4.39	6.53
Economic Emergency	1.85	7.16	10.12
Farm Ownership.......	1.01	2.31	3.44
RH 502/504...........	.32	.42	.53
Rural Rental Housing.	0 4/	.01	.01
Business & Industrial Loans	.38	.56	32.21
All Programs 3/	1.31%	2.70%	3.13%

1/ Excludes guaranteed loans
2/ Estimated
3/ Includes small programs not listed, so columns do not add
4/ Information is not currently available

Table 5--Dollars loaned and grants administered (cumulative)

	Farm (Thousands)	Housing (Thousands)	Community (Thousands)	Total dollars* (Thousands)
1935	676			676
1936	76,964			76,964
1937	152,466			152,466
1938	232,770			232,770
1939	376,552			376,552
1940	511,576		2	511,578
1941	677,655		56	677,711
1942	854,019		134	854,153
1943	988,046		149	988,195
1944	1,082,514		149	1,082,663
1945	1,167,454		232	1,167,686
1946	1,295,580		381	1,295,961
1947	1,445,061		501	1,445,562
1948	1,528,128		661	1,528,789
1949	1,646,632		754	1,647,386
1950	1,809,284	18,161	1,013	1,828,457
1951	1,961,699	42,253	1,563	2,005,515
1952	2,152,421	63,408	1,961	2,217,789
1953	2,360,918	82,765	2,800	2,446,484
1954	2,636,422	98,833	3,676	2,738,932
1955	2,928,478	98,833	4,863	3,032,174
1956	3,231,423	102,554	5,835	3,339,812
1957	3,565,721	123,845	6,542	3,696,108
1958	3,861,819	156,911	7,540	4,026,270
1959	4,159,454	217,585	10,859	4,387,899
1960	4,426,742	258,321	11,707	4,696,771
1961	4,746,439	328,662	17,353	5,092,454
1962	5,273,854	425,160	30,856	5,729,870
1963	5,864,145	612,900	49,010	6,526,054
1964	6,428,571	750,243	95,034	7,273,848
1965	7,026,754	885,206	161,965	8,073,925
1966	7,692,062	1,153,755	316,793	9,162,610
1967	8,402,694	1,596,875	554,130	10,553,698
1968	9,040,063	2,089,911	781,816	11,911,789
1969	9,740,957	2,602,000	1,000,757	13,343,714
1970	10,383,687	3,395,835	1,203,942	14,983,463
1971	11,079,895	4,794,932	1,522,952	17,397,779
1972	11,898,367	6,413,709	1,875,510	20,187,585
1973	13,330,329	8,277,018	2,335,172	23,942,520
1974	14,353,648	10,070,346	3,120,000	27,543,994
1975	16,362,179	12,315,226	4,352,679	33,030,084
1976	18,187,039	14,840,862	5,412,773	38,440,675
1976 + TQ**	18,561,883	15,751,596	5,907,085	40,220,565
1977	20,994,914	18,897,401	7,583,784	47,476,099
1978	25,990,776	22,658,749	9,937,676	58,587,201
1979	33,696,244	26,945,340	12,547,252	73,188,836
1980	40,045,519	31,166,003	15,065,002	86,276,524
1981	48,119,358	35,109,573	17,022,630	100,251,561
1982	52,233,221	38,995,501	17,801,056	109,029,778
1983	55,303,948	42,102,223	18,938,102	116,344,273
1984	59,741,919	45,017,021	19,580,426	124,339,366
1985	65,671,301	47,940,830	20,238,900	133,851,031
1986	70,029,242	49,977,124	20,845,672	140,852,039
1987	73,087,828	52,016,347	21,529 008	146,633,184
1988	75,408,559	54,185,332	22,198,222	151,792,113
1989	77,641,770	56,358,089	22,868,750	156,868,609

*Figures do not include $89,800,000 for certain discontinued programs listed on page 21 for all-time totals.

**Transition Quarter (TQ) for change of fiscal year.

MAJOR PROGRAM TOTALS BY STATE - FISCAL YEAR 1989
(In Millions of Dollars)

State	FARM PROGRAMS Number	FARM PROGRAMS Dollars	HOUSING PROGRAMS Number	HOUSING PROGRAMS Dollars	COMMUNITY SERVICE Number	COMMUNITY SERVICE Dollars	BUSINESS & INDUSTRY Number	BUSINESS & INDUSTRY Dollars	TOTAL ALL PROGRAMS Number	TOTAL ALL PROGRAMS Dollars
ALABAMA	462	29.7	1,216	55.8	40	11.8	1	2.5	1,719	99.8
ALASKA	0	0.0	76	5.3	3	2.4	0	0.0	70	6.2
ARIZONA	33	2.8	547	27.4	7	1.3	1	0.3	588	27.3
ARKANSAS	1,101	76.0	1,182	48.1	51	35.0	0	0.0	2,303	154.0
CALIFORNIA	594	61.0	1,811	121.2	31	15.6	0	0.0	2,436	185.4
COLORADO	236	18.0	361	17.4	7	1.0	0	0.0	604	36.4
CONNECTICUT	27	1.2	266	23.7	10	4.0	0	0.0	303	27.5
DELAWARE	26	2.7	104	5.5	4	1.3	0	0.0	134	9.0
FLORIDA	218	11.2	1,218	74.7	20	16.2	2	0.9	1,458	94.3
GEORGIA	683	57.9	1,409	73.0	15	6.6	2	0.9	2,109	138.4
HAWAII	33	2.0	156	18.6	0	0.0	0	0.0	189	20.6
IDAHO	536	45.6	350	13.4	13	2.9	0	0.0	899	61.9
ILLINOIS	2,446	121.0	1,201	49.8	33	9.9	7	8.2	3,687	188.9
INDIANA	661	44.1	957	43.2	14	3.8	0	0.0	1,632	91.1
IOWA	2,804	130.6	1,324	44.4	48	20.0	2	2.0	4,178	197.0

MAJOR PROGRAM TOTALS BY STATE - FISCAL YEAR 1989
(In Millions of Dollars)

State	FARM PROGRAMS		HOUSING PROGRAMS		COMMUNITY SERVICE		BUSINESS & INDUSTRY		TOTAL ALL PROGRAMS	
	Number	Dollars	Number	Dollars	Number	Dollars	Number	Dollars	Number	Dollars
KANSAS	1,124	66.7	457	17.2	16	3.8	1	3.2	1,598	86.0
KENTUCKY	978	32.2	1,607	62.6	69	33.5	2	1.2	2,656	129.5
LOUISIANA	2,081	162.6	964	43.0	45	14.2	1	0.6	3,091	213.3
MAINE	262	7.7	1,033	54.5	68	22.0	4	5.8	1,367	90.0
MARYLAND	87	6.1	489	29.7	16	7.0	0	0.0	592	42.8
MASSACHUSETTS	76	3.0	548	45.7	27	18.8	2	1.4	653	66.5
MICHIGAN	1,134	78.0	1,373	71.4	26	16.8	4	3.7	2,537	169.9
MINNESOTA	2,198	126.6	719	43.5	30	10.3	11	3.6	2,958	174.9
MISSISSIPPI	1,235	109.2	2,460	76.2	61	15.1	3	2.5	3,759	192.3
MISSOURI	962	49.4	1,496	53.1	34	11.4	3	1.5	2,495	115.4
MONTANA	412	28.0	219	10.2	4	0.9	0	0.0	635	36.9
NEBRASKA	1,452	90.4	357	17.1	13	5.6	7	1.5	1,829	108.5
NEVADA	34	1.7	137	9.4	6	2.7	0	0.0	177	13.8
NEW HAMPSHIRE	49	2.0	408	28.3	8	4.4	0	0.0	465	34.7
NEW JERSEY	71	4.4	467	32.0	9	5.8	1	2.0	548	44.2

MAJOR PROGRAM TOTALS BY STATE - FISCAL YEAR 1989
(In Millions of Dollars)

State	FARM PROGRAMS Number	FARM PROGRAMS Dollars	HOUSING PROGRAMS Number	HOUSING PROGRAMS Dollars	COMMUNITY SERVICE Number	COMMUNITY SERVICE Dollars	BUSINESS & INDUSTRY Number	BUSINESS & INDUSTRY Dollars	TOTAL ALL PROGRAMS Number	TOTAL ALL PROGRAMS Dollars
NEW MEXICO	165	10.9	356	20.4	7	1.4	0	0.0	528	32.7
NEW YORK	571	29.3	1,036	60.7	76	24.1	2	2.5	1,685	116.6
NORTH CAROLINA	945	44.2	2,001	101.7	80	48.1	14	9.2	3,040	203.2
NORTH DAKOTA	1,871	100.7	198	6.7	16	3.7	0	0.0	2,085	104.4
OHIO	760	47.5	1,472	78.0	39	20.5	3	1.6	2,274	147.6
OKLAHOMA	1,338	92.7	672	31.3	41	11.6	1	0.3	2,052	135.9
OREGON	298	23.2	778	32.8	16	7.2	0	0.0	1,092	63.2
PENNSYLVANIA	930	34.6	1,927	90.2	36	26.3	1	2.5	2,894	153.6
RHODE ISLAND	10	0.5	107	7.5	10	2.3	0	0.0	127	10.2
SOUTH CAROLINA	441	27.6	1,696	74.3	40	20.5	5	11.8	2,182	134.2
SOUTH DAKOTA	693	27.2	355	13.7	20	7.9	2	2.4	1,070	51.2
TENNESSEE	750	44.8	1,739	74.1	63	18.2	2	1.2	2,554	138.3
TEXAS	2,556	174.1	1,613	70.5	49	24.0	6	3.8	4,224	272.4
UTAH	131	8.5	388	15.4	10	2.1	0	0.0	529	22.0
VERMONT	261	10.8	395	20.6	23	7.2	0	0.0	679	38.6

MAJOR PROGRAM TOTALS BY STATE - FISCAL YEAR 1989
(In Millions of Dollars)

	FARM PROGRAMS		HOUSING PROGRAMS		COMMUNITY SERVICE		BUSINESS & INDUSTRY		TOTAL ALL PROGRAMS	
State	Number	Dollars	Number	Dollars	Number	Dollars	Number	Dollars	Number	Dollars
VIRGINIA	296	13.5	1,253	64.8	55	19.0	1	0.4	1,605	97.7
WASHINGTON	495	38.8	649	33.1	22	5.2	0	0.0	1,166	77.1
WEST VIRGINIA	170	4.7	837	32.9	56	15.3	7	19.9	1,070	72.8
WISCONSIN	1,688	106.3	960	47.5	24	10.1	2	1.7	2,674	154.3
WYOMING	164	12.2	194	7.2	6	1.1	0	0.0	364	20.5
PUERTO RICO	320	9.1	1,304	59.2	17	6.5	0	0.0	1,641	74.8
VIRGIN ISLANDS	3	0.1	57	10.4	0	0.0	0	0.0	60	10.5
WEST PACIFIC TERRITORIES	4	0.1	804	4.4	0	0.0	0	0.0	808	8.6
TOTALS	36,875	2233.2	45,768	2172.8	1,434	586.4	100	99.1	84,177	5091.5

Totals may not add due to rounding.)

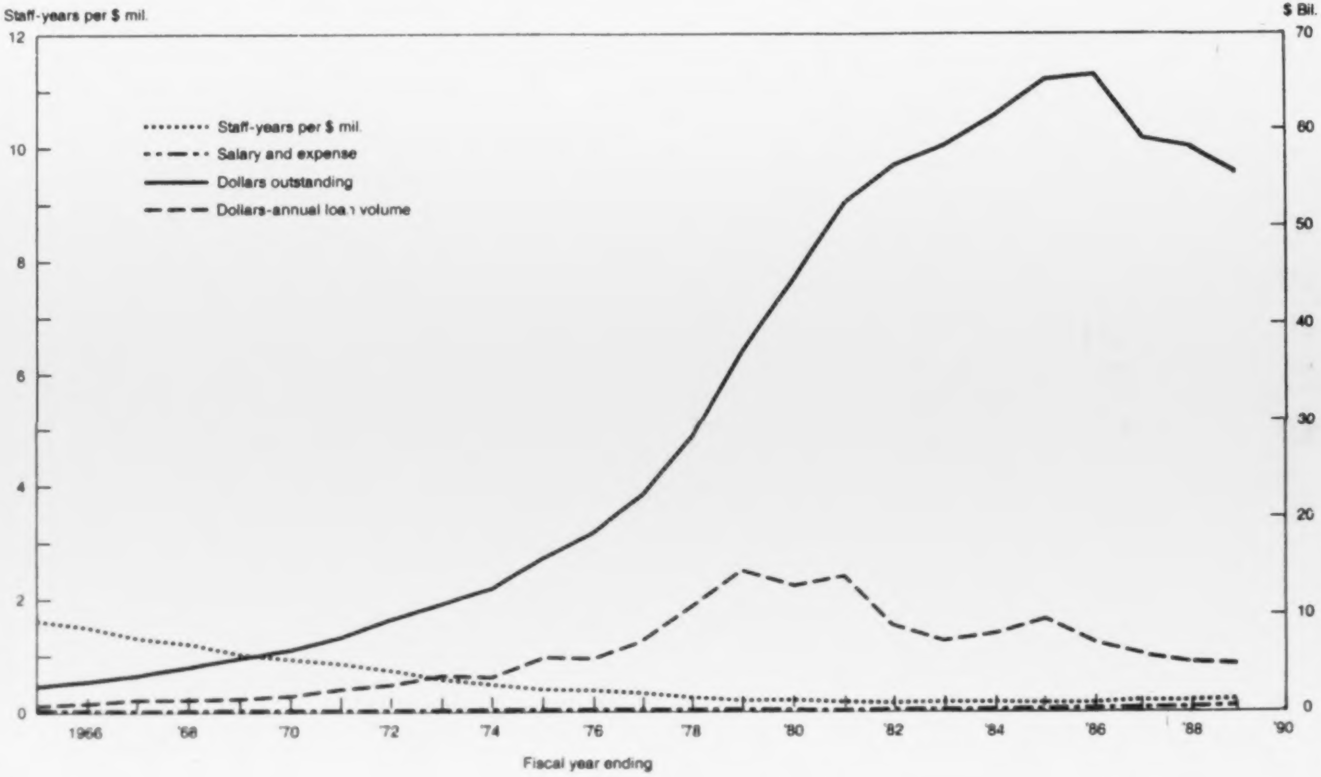
FIGURES

AND

TABLES

Figure 1

Loan and Grant Volume and Staff Productivity



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*Does not include "guaranteed loans"

Table 1--Loan and grant volume and staff productivity

	*Principal dollars outstanding, end of fiscal year (Billions)	Annual loan and grant volume (Billions)	Total dollars (Billions)	Total staff years	Salaries and expenses (Millions)	Dollars for which one person is responsible (Millions)	Number of staff years for loan processing and servicing per million dollars
1965	2.753	.800	3.553	5,858.0	49.563	.607	1.6
1966	3.221	1.088	4.309	6,590.1	57.826	.654	1.5
1967	3.914	1.390	5.304	7,102.5	62.214	.747	1.3
1968	4.778	1.359	6.137	7,360.1	67.861	.834	1.2
1969	5.552	1.431	6.983	7,271.7	72.354	.960	1.0
1970	6.525	1.639	8.164	7,665.7	86.159	1.065	0.94
1971	7.869	2.414	10.283	8,533.9	103.422	1.205	0.83
1972	9.622	2.789	12.411	8,865.9	113.888	1.400	0.71
1973	11.206	3.750	14.956	8,672.0	121.766	1.725	0.58
1974	12.977	3.591	16.568	8,168.4	128.724	2.029	0.49
1975	15.836	5.466	21.302	8,359.0	142.828	2.548	0.39
1976	18.456	5.393	23.849	8,555.4	158.692	2.788	0.36
1977	22.526	7.236	29.762	9,405.4	187.959	3.164	0.32
1978	29.339	11.089	40.428	10,233.0	227.867	3.951	0.26
1979	37.304	14.602	51.976	10,842.0	254.517	4.794	0.21
1980	44.630	12.966	57.596	11,813.0	288.321	4.876	0.21
1981	52.470	13.975	66.445	12,541.0	322.748	5.298	0.19
1982	56.213	8.778	64.991	11,213.0	327.231	5.796	0.17
1983	58.514	7.314	65.828	11,566.0	356.595	5.692	0.18
1984	61.548	7.997	69.545	12,658.0	390.661	5.494	0.18
1985	65.100	9.512	74.612	12,563.0	412.724	5.940	0.17
1986	65.831	7.001	72.842	12,579.0	424.001	5.791	0.17
1987	58.935	5.781	64.716	12,715.0	449.063	5.090	0.20
1988	57.588	5.159	62.747	12,733.0	476.589	4.928	0.20
1989	55.399	5.076	60.475	13,023.0	514.440	4.643	0.21

* Does not include guaranteed loans.

Figure 2

Report of Loan Collection and Debt Adjustment Activities During the Year

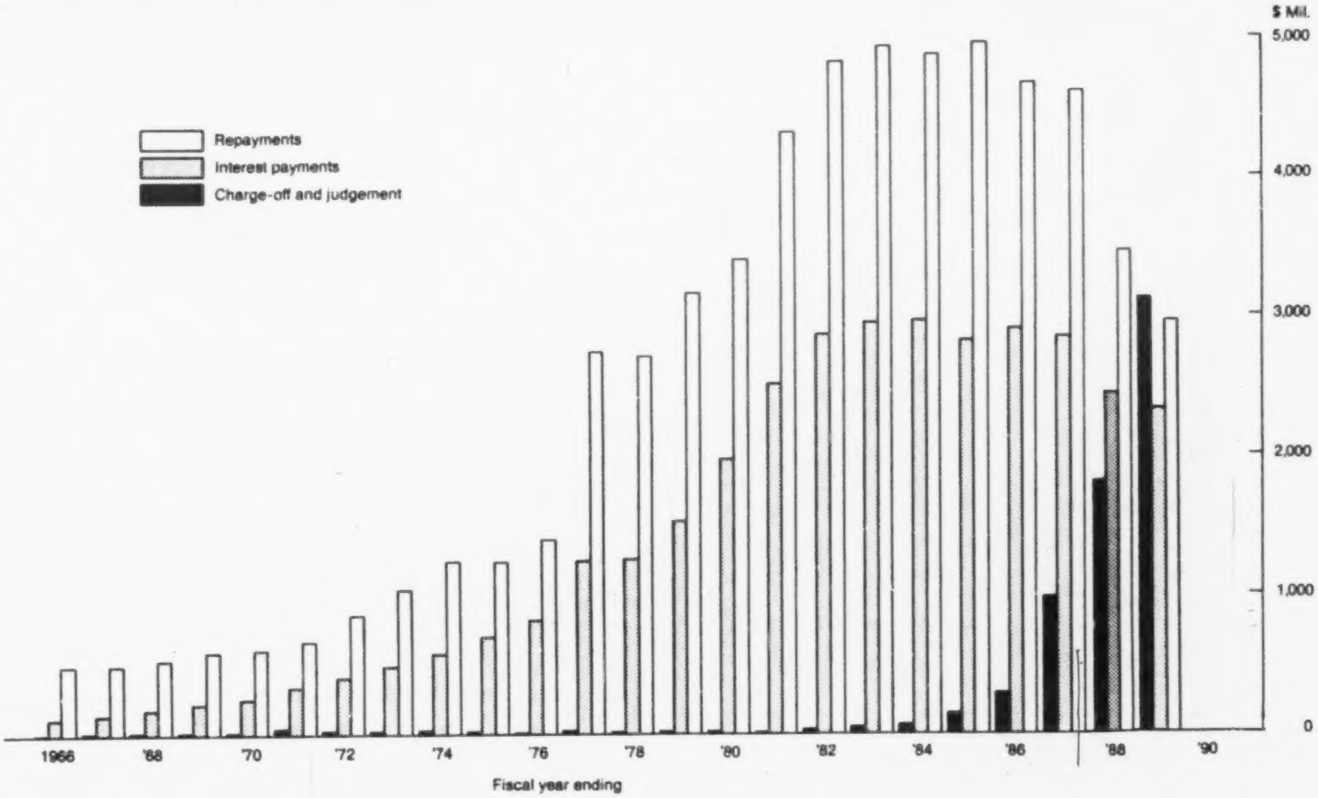
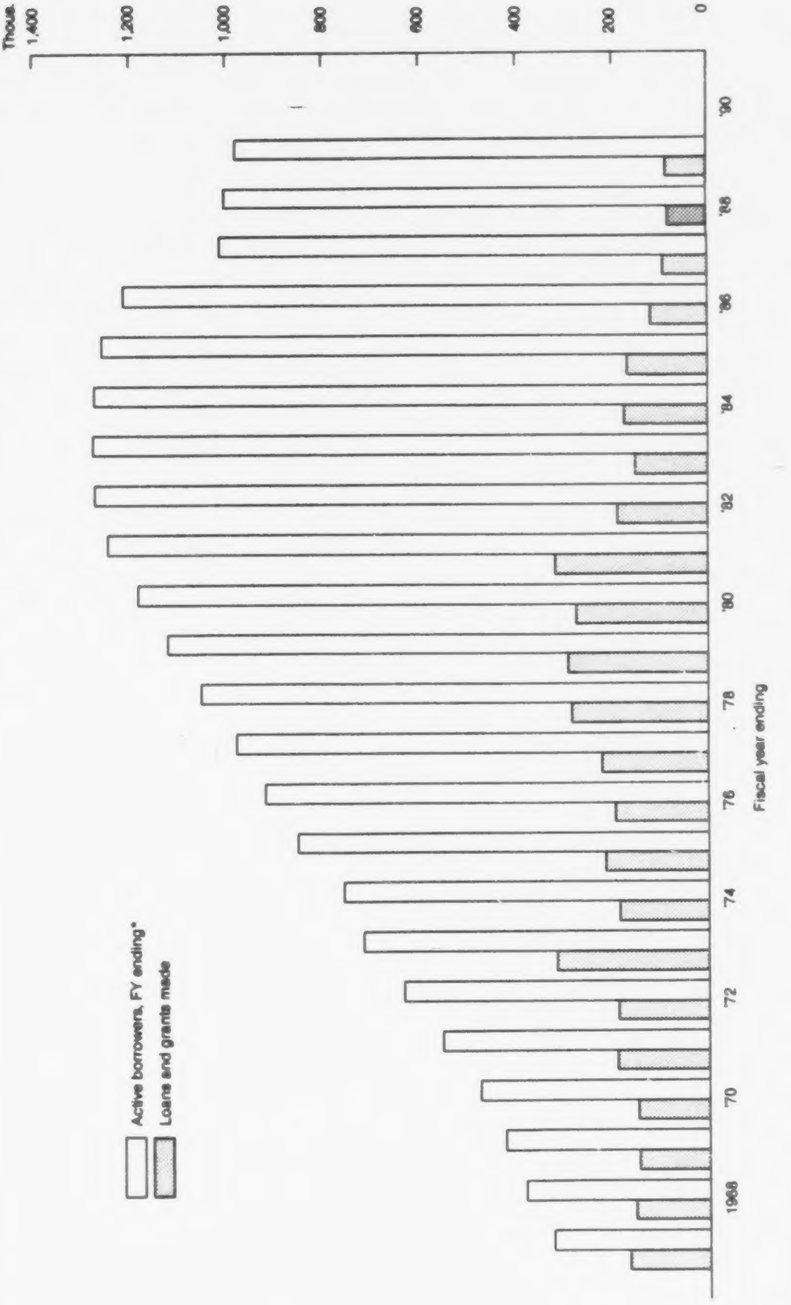


Table 2--Report of loan collection and debt adjustment activities during the year

Fiscal year	Principal repayments (Millions)	Principal chargeoffs and judgments (Millions)	Interest payments (Millions)
1968	539.9	12.5	182.6
1969	599.2	16.1	222.9
1970	610.5	13.7	259.1
1971	671.6	33.8	344.8
1972	859.2	26.3	415.4
1973	1,045.0	19.7	497.9
1974	1,247.1	22.2	589.2
1975	1,244.2	18.5	704.1
1976	1,404.5	9.2	824.6
1977	2,753.6	21.9	1,251.7
1978	2,725.5	14.8	1,268.3
1979	3,173.3	18.1	1,543.1
1980	3,418.9	17.1	1,983.3
1981	4,325.4	7.8	2,522.6
1982	4,838.2	30.8	2,873.1
1983	4,943.8	48.1	2,960.5
1984	4,885.6	71.5	2,971.4
1985	4,961.9	165.6	2,828.9
1986	4,595.3	290.0	2,930.0
1987	4,492.9	974.6	2,850.0
1988	3,450.6	1,823.9	2,432.8
1989	2,961.1	3,181.2	2,319.3

Figure 3

FmHA Statistics



*Guaranteed loans not included

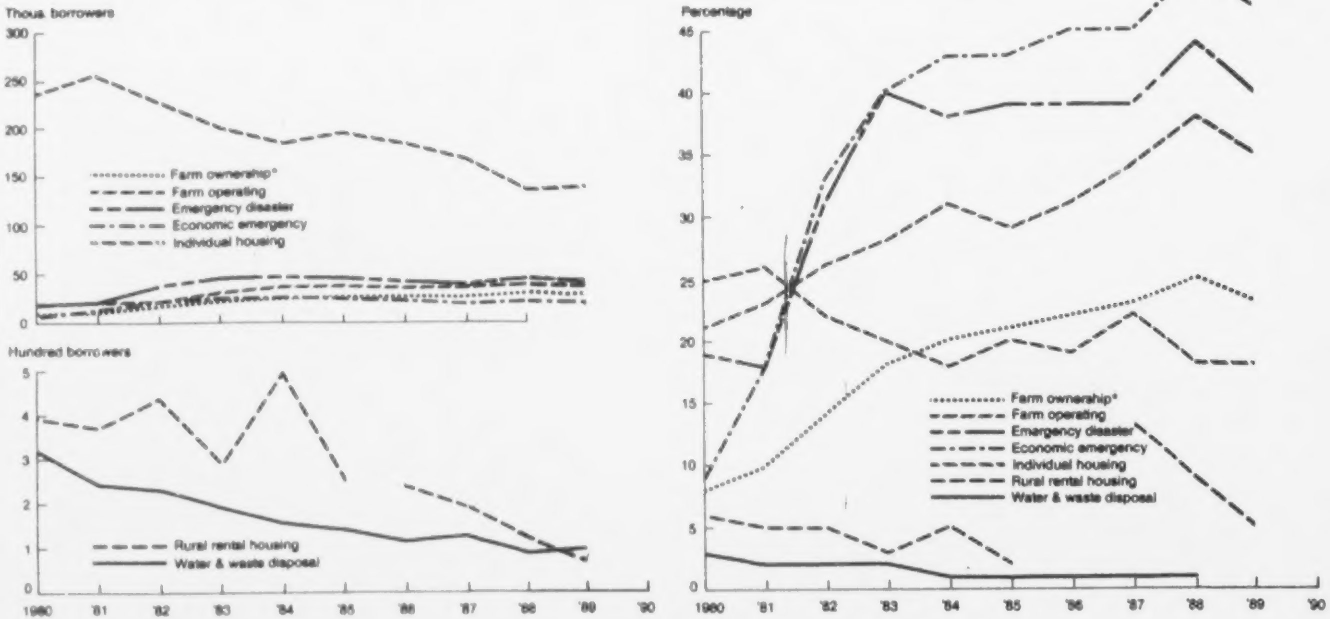
Table 3-- FmHA statistics

	Number of active borrowers as of end of fiscal year*			Total number of loans and grants made
	Indiv.	Assoc.	Total	
1969	418,167	6,233	424,400	148,414
1970	470,267	6,973	477,240	149,407
1971	548,143	7,556	555,699	191,913
1972	627,744	8,151	635,895	190,188
1973	710,980	8,705	719,653	318,587
1974	750,421	9,000	759,421	189,437
1975	844,527	9,997	854,524	216,852
1976	908,723	11,317	920,040	197,949
1977	967,066	12,945	980,011	222,684
1978	1,040,207	14,412	1,054,619	283,696
1979	1,108,353	16,173	1,124,526	294,890
1980	1,167,006	18,235	1,185,241	274,990
1981	1,228,277	19,929	1,248,206	319,045
1982	1,250,433	21,834	1,272,267	190,555
1983	1,252,449	23,271	1,275,720	153,561
1984	1,250,340	24,658	1,274,998	175,895
1985	1,245,512	12,906	1,258,418	170,933
1986**	1,202,723	12,996	1,215,719	121,498
1987**	1,000,268	12,415	1,012,683	94,917
1988	967,398	26,280	993,678	83,589
1989	947,991	25,456	973,447	84,119

* Guaranteed loans not included.
** Excludes Rural Rental Housing borrowers.

Figure 4

Borrowers Delinquent, Major Loan Programs, By Number and Percentage as of September 30



Number of borrowers delinquent as of September 30

Percent of borrowers delinquent as of September 30

*Includes nonfarm enterprise loans.

Table 4--Borrowers delinquent, major loan programs, by number and percentage as of September 30

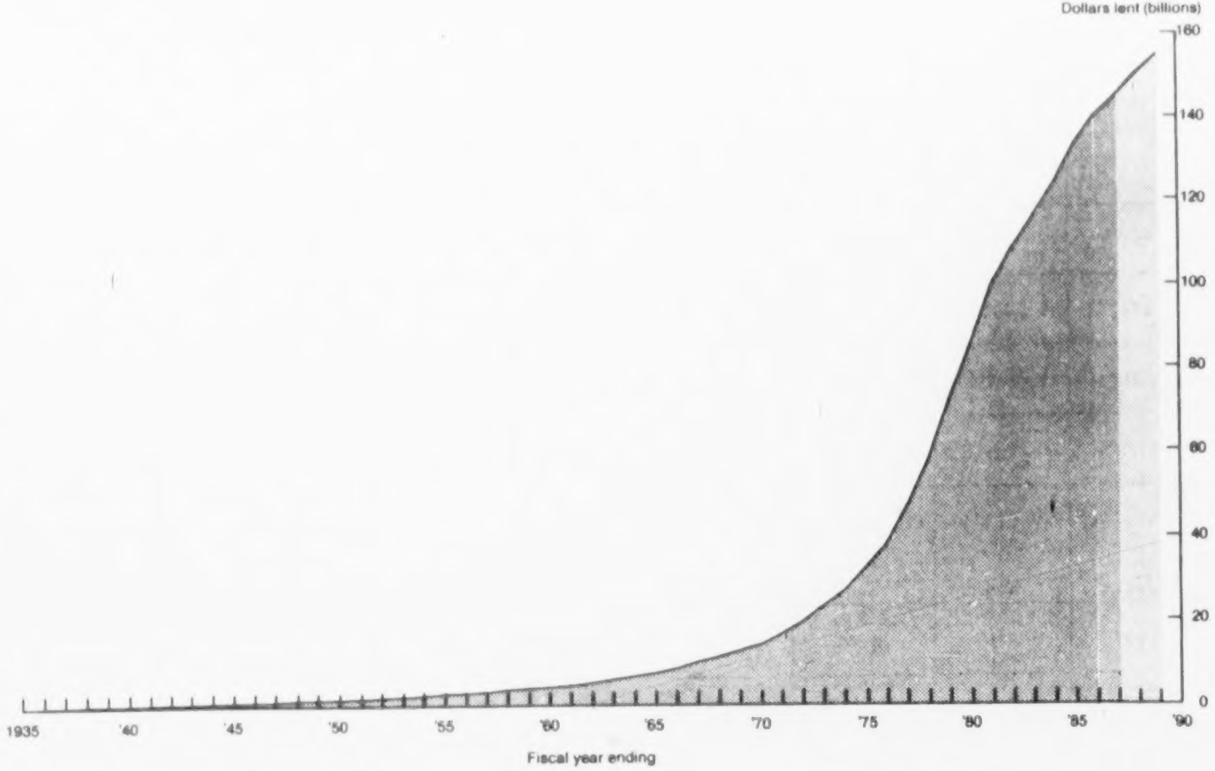
	1982		1983		1984		1985		1986		1987		1988		1989	
	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%
Farm Ownership*	17,068	14	22,090	18	25,595	20	26,352	21	27,599	22	26,989	23	28,179	25	26,775	23
Farm Operating	21,511	26	31,355	28	37,286	31	38,385	29	37,242	31	36,516	34	41,871	38	35,006	35
Emergency Disaster	38,556	31	46,714	40	48,172	38	47,276	39	43,534	39	40,297	39	43,080	44	35,082	40
Economic Emergency	21,514	33	25,049	40	25,768	43	24,245	43	21,612	45	19,483	45	20,481	50	17,267	47
Individual Housing	226,550	22	201,902	20	185,853	18	197,708	20	187,722	19	169,546	22	132,436	18	140,834	18
Rural Rental Housing**	434	5	288	3	495	5	256	2	**		1,975	13	1,260	9	771	5
Water and Waste Disposal	232	2	192	2	158	1	141	1	115	1	125	1	91	1	99	1

* Includes nonfarm enterprise loans.

** Information is not currently available.

Figure 5

Dollars Loaned and Grants Administered (Cumulative)



Note: Amounts will not equal due to rounding

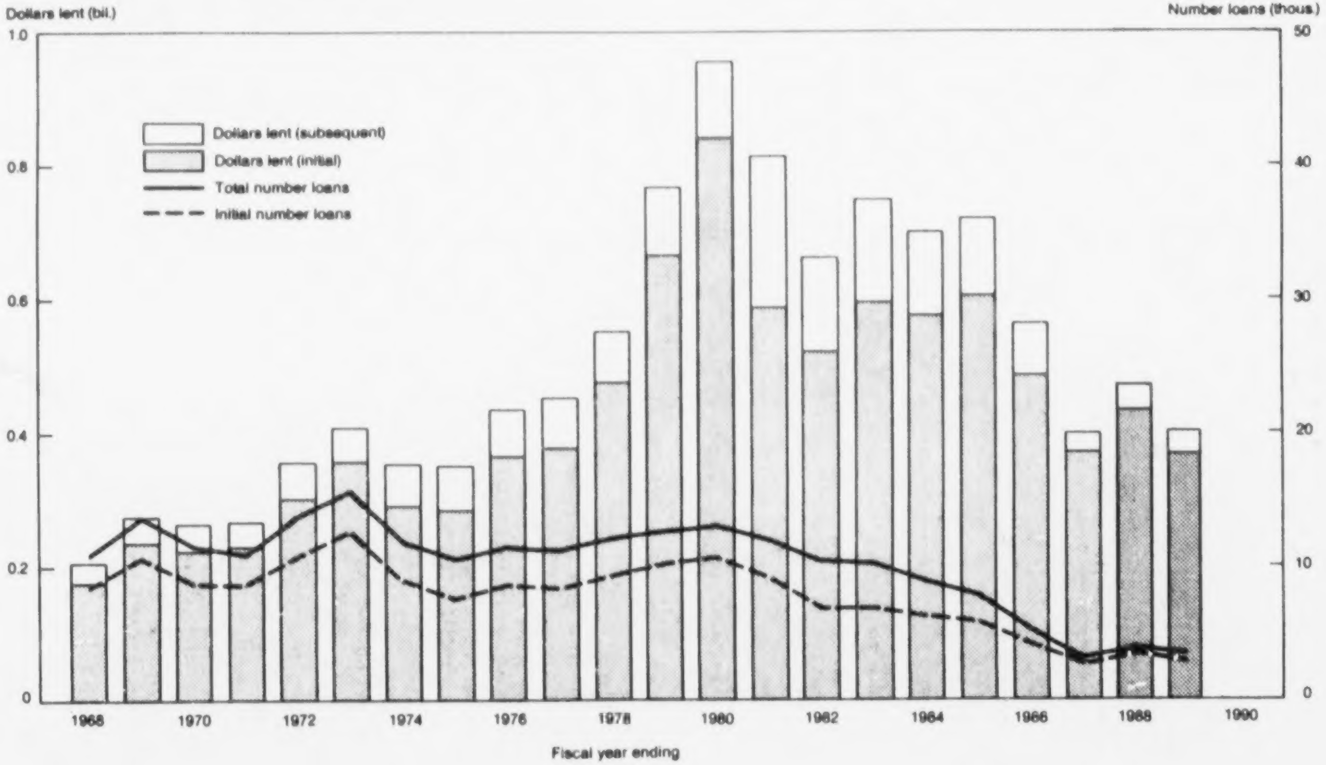
FARMERS HOME ADMINISTRATION
Loans and Grants by Program -- All-Time Total
Through Fiscal Year 1989

	Number of Loans or Grants	Dollar Amount
FARMER PROGRAMS:		
Farm Operating Loans	2,700,690	$ 30,643,800,755
Farm Ownership Loans	419,548	13,442,273,897
Recreation Loans (Individual)	463	20,527,880
Emergency Loans	1,245,006	23,114,473,036
Grazing Association Loans	605	129,419,696
Soil and Water Loans (Individual)	44,739	511,076,852
Irrigation and Drainage Loans	610	32,240,909
Indian Land Acquisition Loans	91	99,263,130
Interest Buy-Down Programs	(2,241)	31,891,637
State Mediation Grants	17	3,000,000
Farmer Programs, Total	4,411,769	$ 68,027,967,792
RURAL HOUSING PROGRAMS:		
Individual Housing Loans (502 & 504)*	2,049,867	$ 41,172,398,045
Compensation for Construction Defects	694	2,299,729
Very-Low-Income Repair Loans	5,875	18,929,194
Very-Low-Income Repair Grants	69,777	190,430,450
Rural Rental Housing Loans	22,412	10,941,300,865
Rental Assistance Program:		
Rental Housing (190,114 units)	9,087**	3,237,536,485
Labor Housing (6,543 units)	68**	117,436,455
Farm Labor Housing Loans	2,033	237,572,938
Farm Labor Housing Grants	293	213,779,542
Site Loans	132	17,615,420
Self-Help Housing Grants	641	117,999,040
Self-Help Land Development Fund	48	9,152,010
Rural Housing Supervisory Assistance Grants	57	5,000,000
Rural Housing Preservation Grants	598	76,560,000
Rental Assistance Grant	1	88,376
Housing Programs, Total	2,161,583	$ 56,358,088,549
COMMUNITY PROGRAMS:		
Water and Waste Disposal Development Loans	29,977	$ 10,125,714,844
Water and Waste Disposal Development Grants	14,318	3,255,834,952
Community Facility Loans	5,735	2,580,790,470
Industrial Development Grants	1,431	99,549,279
Rural Development Loans	22	27,617,569
Watershed and Flood Prevention Loans	491	176,072,424
Resource Conservation and Development Loans	291	29,412,409
Development Grants Other than FmHA	2,228	373,818,525
Community Programs, Total	54,493	$ 16,668,810,472
BUSINESS & INDUSTRY PROGRAMS:		
Guaranteed Business/Industrial Loans	7,360	$ 6,020,511,384
B&I Programs, Total	7,360	$ 6,020,511,384
DISCONTINUED PROGRAMS:		
Bureau of Reclamation, Soil and Water Loans	283	$ 4,935,550
Economic Emergency Loans	126,770	7,227,951,980
Economic Opportunity Loans (Assn.)	1,476	21,107,481
Economic Opportunity Loans (Indiv.)	64,660	109,394,912
Emergency Livestock Loans	7,738	1,045,660,130
Finance Corporation Grants	3	14,263,668
Finance Corporation Loans	12	19,140,000
Land Conservation and Development Loans	274	267,900
Recreation Association Loans***	1,035	110,510,460
Rural Development Planning Grants (ADA)	605	19,000,000
Rural Rehabilitation Loans	3,031,331	1,015,825,965
Rural Renewal Loans	56	6,550,300
Special Impact Grants	2	2,700,000
State Corporation Farm Operating Loans	185,904	158,964,394
State Corporation Farm Ownership Loans, Agricultural Credit Loans, Resettlement Projects, Water Utilization and Construction Loans	(Number Not Available)	89,800,000
Water Facility Loans (Indiv.)	18,296	29,695,363
Water/Sewer Comprehensive Planning Grants	1,834	22,293,387
Discontinued Programs, Total	3,440,279	$ 9,898,061,490
GRAND TOTALS	10,075,484	$156,973,439,687

*Includes very-low-income repair loans.
**Data collection started in 1983.
***Recreation Assn. Loans included in Community Facility Loans since 1974.
****Not included in table 5 cumulative totals.

Figure 6

Farm Ownership Loan Program: Number of Loans and Dollars Lent*



*Includes direct loan costs. Excludes insured loan costs.

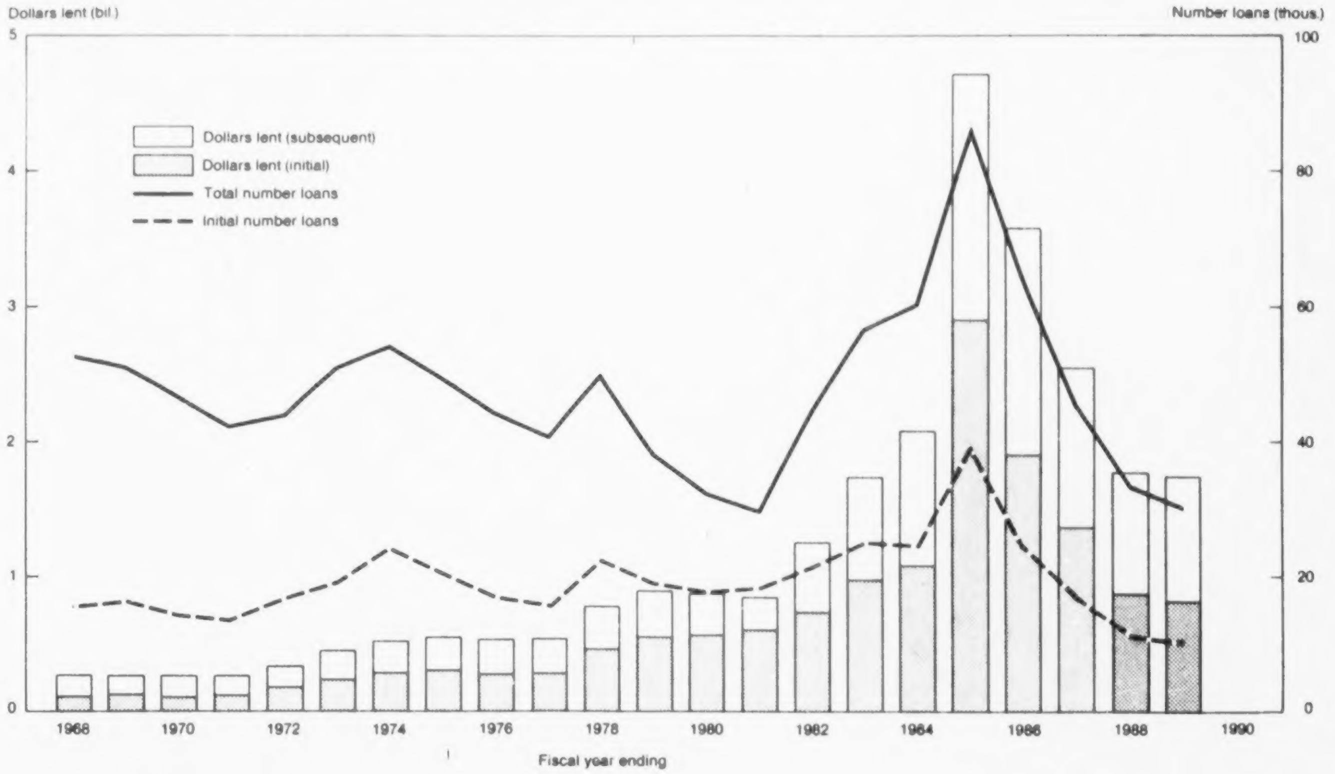
Table 6--Farm ownership loan program:
Number of loans and dollars lent*

	Initial loans		Subsequent loans		Total loans	
	Number	Amount	Number	Amount	Number	Amount
1969	10,525	$237,047,040	3,177	$40,073,052	13,702	$277,120,092
1970	8,644	222,949,520	2,841	38,547,055	11,491	261,496,575
1971	8,522	230,560,910	2,434	37,875,258	10,956	268,436,168
1972	10,718	302,220,690	3,037	53,541,329	13,755	355,762,019
1973	12,593	356,058,150	2,899	52,059,220	15,492	408,117,370
1974	8,728	291,482,260	3,269	60,679,170	11,997	352,161,430
1975	7,550	286,608,341	3,048	65,024,420	10,598	351,632,761
1976	8,583	367,204,570	2,788	67,800,228	11,371	435,004,798
1977	8,353	378,916,850	2,769	72,323,130	11,122	451,239,980
1978	9,384	474,266,230	2,631	76,580,270	12,015	550,846,500
1979	10,179	667,699,570	2,389	95,465,200	12,568	768,164,770
1980	10,616	842,738,150	2,356	111,313,930	12,972	954,052,080
1981	9,014	588,163,820	2,839	125,121,290	11,853	813,285,110
1982	6,821	520,994,148	3,409	140,609,190	10,230	661,603,338
1983	6,902	593,863,120	3,296	155,716,260	10,198	749,579,380
1984	6,140	574,859,470	2,577	125,836,390	8,717	700,695,860
1985	5,826	605,723,184	2,051	114,795,574	7,877	720,518,758
1986	4,155	487,403,660	1,142	76,002,880	5,297	563,406,540
1987	2,649	370,861,170	384	28,557,200	3,033	399,418,370
1988	3,278	439,741,980	529	37,323,450	3,807	477,065,430
1989	2,844	365,253,271	467	34,838,731	3,311	400,092,002

* Includes direct loan costs.
Excludes insured loan costs.

Figure 7

Farm Operating Loan Program: Number of Loans and Dollars Lent*



*Includes direct loan costs. Excludes insured loan costs.

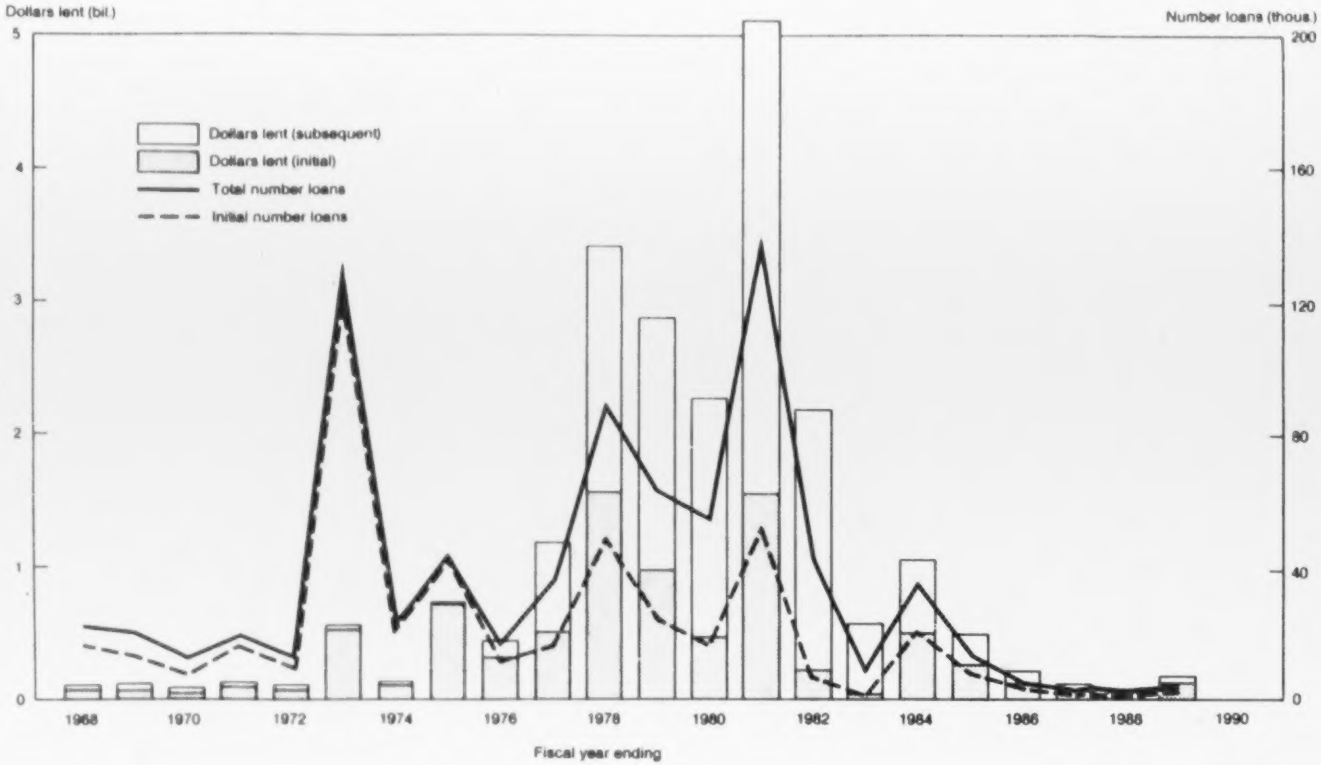
Table 7--Farm operating loan program:
Number of loans and dollars lent*

	Initial loans		Subsequent loans		Total loans	
	Number	Amount	Number	Amount	Number	Amount
1969	16,234	$127,094,340	34,577	$147,905,630	50,811	$274,999,970
1970	14,247	114,416,920	32,410	160,583,048	46,657	274,999,968
1971	13,635	125,499,360	28,545	149,500,631	42,180	274,999,991
1972	16,649	181,229,350	27,196	156,056,468	43,845	337,285,818
1973	19,172	237,329,750	31,808	217,314,627	50,980	454,644,377
1974	23,965	282,416,201	29,900	242,577,627	53,865	524,993,821
1975	20,560	302,266,678	28,694	248,520,072	49,254	550,786,750
1976	17,172	279,529,768	26,876	259,687,665	44,048	539,217,433
1977	15,709	283,770,260	24,830	258,573,030	40,539	542,343,290
1978	22,176	466,642,040	27,238	313,985,760	49,414	780,627,800
1979	19,079	552,541,730	18,863	342,212,170	37,942	894,753,900
1980	17,568	565,596,300	14,643	309,232,700	32,211	874,829,000
1981	18,157	605,727,550	11,681	241,875,810	29,838	847,603,360
1982	21,310	734,338,846	23,609	516,669,953	44,919	1,251,008,799
1983	25,108	972,214,470	31,452	763,332,830	56,560	1,735,547,300
1984	24,679	1,076,177,210	35,488	994,976,830	60,167	2,071,154,040
1985	39,081	2,903,823,556	47,116	1,802,993,963	86,197	4,706,817,519
1986	24,452	1,900,658,503	39,794	1,669,793,289	64,246	3,570,451,792
1987	17,298	1,364,380,160	28,411	1,174,620,350	45,709	2,539,000,510
1988	11,550	879,677,050	21,470	912,402,110	33,020	1,792,259,160
1989	10,821	803,251,407	19,559	931,940,426	30,380	1,735,191,833

* Includes direct loan costs.
Excludes insured loan costs.

Figure 8

Emergency Loan Program: Number of Loans and Dollars Lent*



*Includes direct loan costs. Excludes insured loan costs.

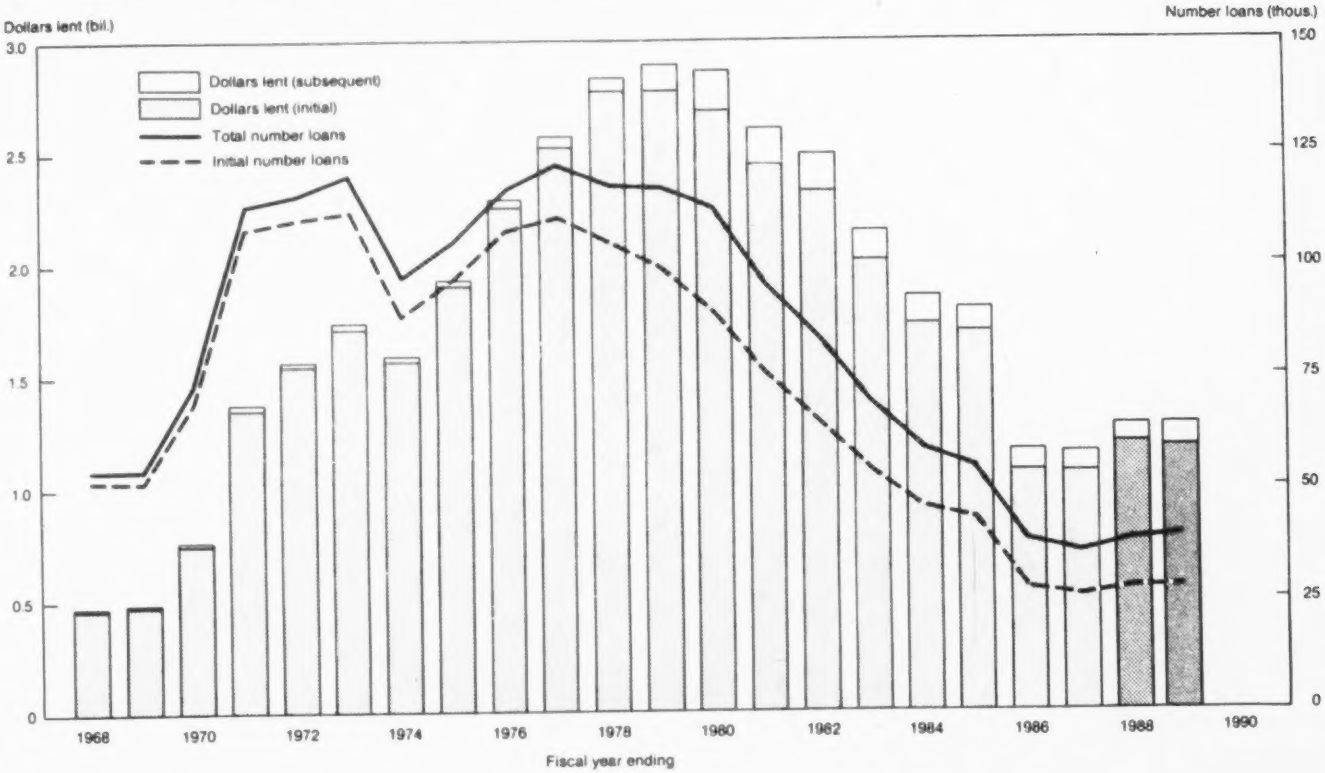
Table 8--Emergency loan program: Number of loans and dollars lent*

	Initial loans		Subsequent loans		Total loans	
	Number	Amount	Number	Amount	Number	Amount
1969	13,509	$75,427,940	7,177	$39,288,213	20,686	$114,716,153
1970	7,800	56,364,080	4,978	33,066,080	12,778	89,430,160
1971	16,025	101,216,425	3,779	26,419,481	19,804	127,635,906
1972	9,716	83,420,630	3,263	25,491,179	12,979	108,911,809
1973	124,783	527,727,353	3,884	30,039,242	128,667	557,766,595
1974	22,016	117,361,657	418	10,975,112	22,434	128,336,769
1975	42,976	722,263,783	699	12,756,754	43,675	735,020,537
1976	11,880	321,395,514	4,998	156,316,305	16,878	447,711,819
1977	16,666	515,709,080	19,103	662,678,900	35,769	1,178,387,980
1978	48,166	1,558,223,570	40,953	1,853,584,630	89,119	3,411,808,200
1979	24,838	970,026,080	38,075	1,901,615,680	62,913	2,871,641,760
1980	16,127	473,962,490	38,267	1,792,927,830	54,394	2,266,890,320
1981	51,871	1,550,820,070	87,119	3,561,470,360	138,990	5,112,290,430
1982	6,101	222,528,630	36,762	1,950,883,570	42,863	2,173,412,200
1983	1,027	43,478,210	7,744	522,459,290	8,771	565,937,500
1984	20,437	499,991,230	14,560	551,635,930	34,997	1,051,627,160
1985	8,010	261,187,150	6,050	229,689,488	14,060	490,876,638
1986	3,318	128,380,750	2,266	89,393,280	5,584	217,774,030
1987	1,427	68,566,960	1,121	45,045,940	2,548	113,612,900
1988	358	20,906,300	196	8,984,270	554	29,890,570
1989	1,967	50,729,460	839	22,763,160	2,806	73,4[illegible]20

* Includes direct loan costs.
Excludes insured loan costs.

Figure 9

Rural Housing 502 and 504 Loans to Individuals: Number of Loans and Dollars Lent*



*Includes direct loan costs. Excludes insured loan costs.

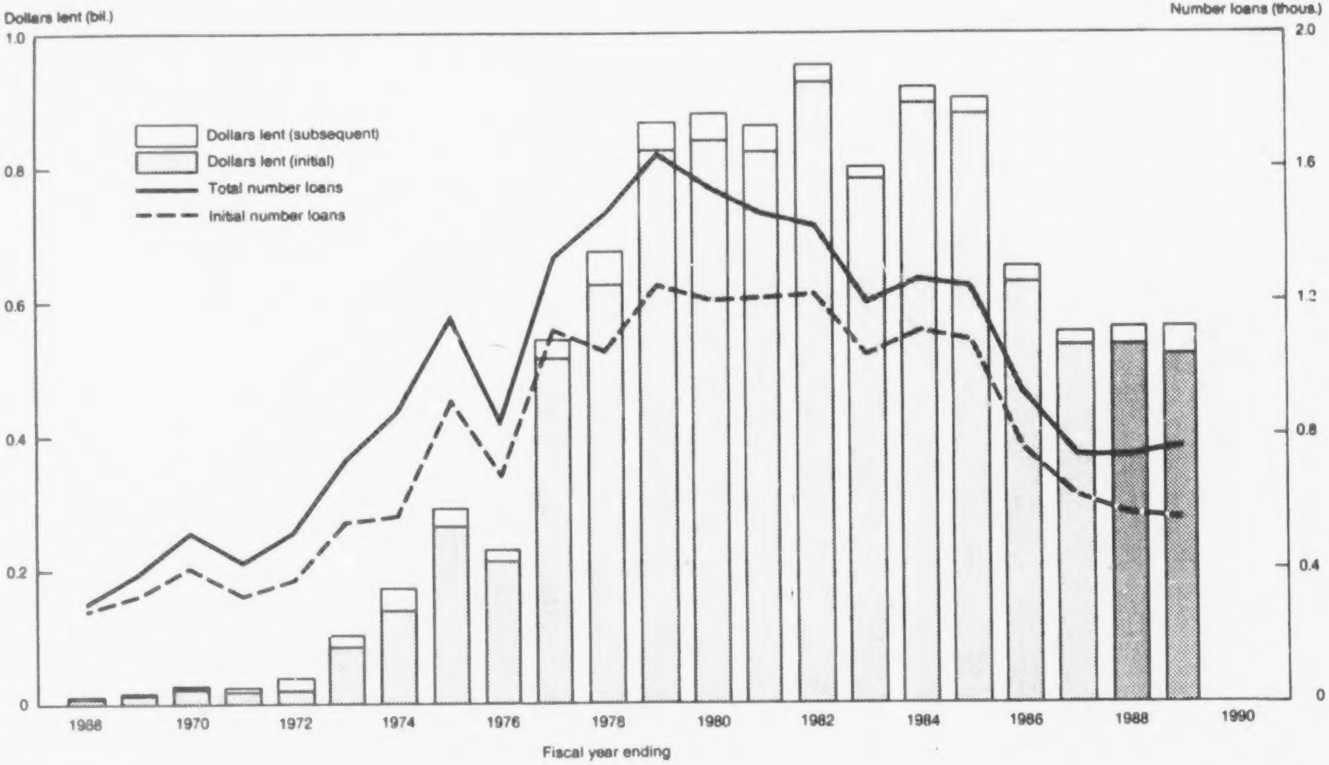
Table 9--Rural housing 502 and 504 loans to individuals: Number of loans and dollars lent

	Initial loans		Subsequent loans		Total loans	
	Number	Amount	Number	Amount	Number	Amount
1969	51,560	$480,363,630	2,878	$5,857,314	54,438	$486,220,944
1970	69,423	750,919,400	3,928	10,677,131	73,351	761,596,531
1971	108,188	1,353,830,290	5,276	13,937,662	113,464	1,376,767,952
1972	110,097	1,549,571,250	5,888	17,048,825	115,985	1,566,620,075
1973	111,779	1,712,380,440	8,004	27,875,832	119,783	1,740,256,272
1974	88,728	1,569,628,860	8,278	24,684,069	97,006	1,594,312,929
1975	96,688	1,903,281,940	8,382	28,169,930	105,070	1,931,451,870
1976	107,514	2,256,680,464	9,544	35,892,200	117,058	2,292,572,664
1977	110,543	2,528,014,600	11,534	48,612,460	122,136*	2,576,675,030*
1978	104,869	2,778,813,490	12,000	56,578,350	117,382*	2,703,242,438*
1979	98,987	2,778,813,490	17,423	114,040,970	117,206*	2,893,558,790*
1980	89,181	2,687,208,580	21,709	178,072,090	112,391*	2,866,530,690*
1981	75,002	2,446,551,790	18,212	160,648,300	94,895*	2,608,876,334*
1982	64,728	2,323,295,534	17,319	163,164,721	83,614*	2,488,262,514*
1983	53,913	2,013,224,690	13,842	130,977,150	68,727*	2,145,352,859*
1984	45,536	1,729,388,690	12,950	121,821,120	58,486	1,851,309,810
1985	43,116	1,695,400,169	11,498	102,049,526	54,614	1,797,449,695
1986	27,492	1,065,721,240	11,087	96,617,901	38,579	1,162,339,141
1987	25,779	1,062,929,869	9,799	86,843,715	35,578	1,149,773,584
1988	28,345	1,200,530,499	9,601	77,400,622	37,946	1,278,357,301
1989	28,305	1,187,978,858	10,584	90,191,602	38,889	1,278,170,460

* Includes 7,089 weatherization loans for $7,079,670 made between 1977 and 1983.

Figure 10

Rural Rental Housing Program: Number of Loans and Dollars Lent*



*Includes direct loan costs. Excludes insured loan costs.

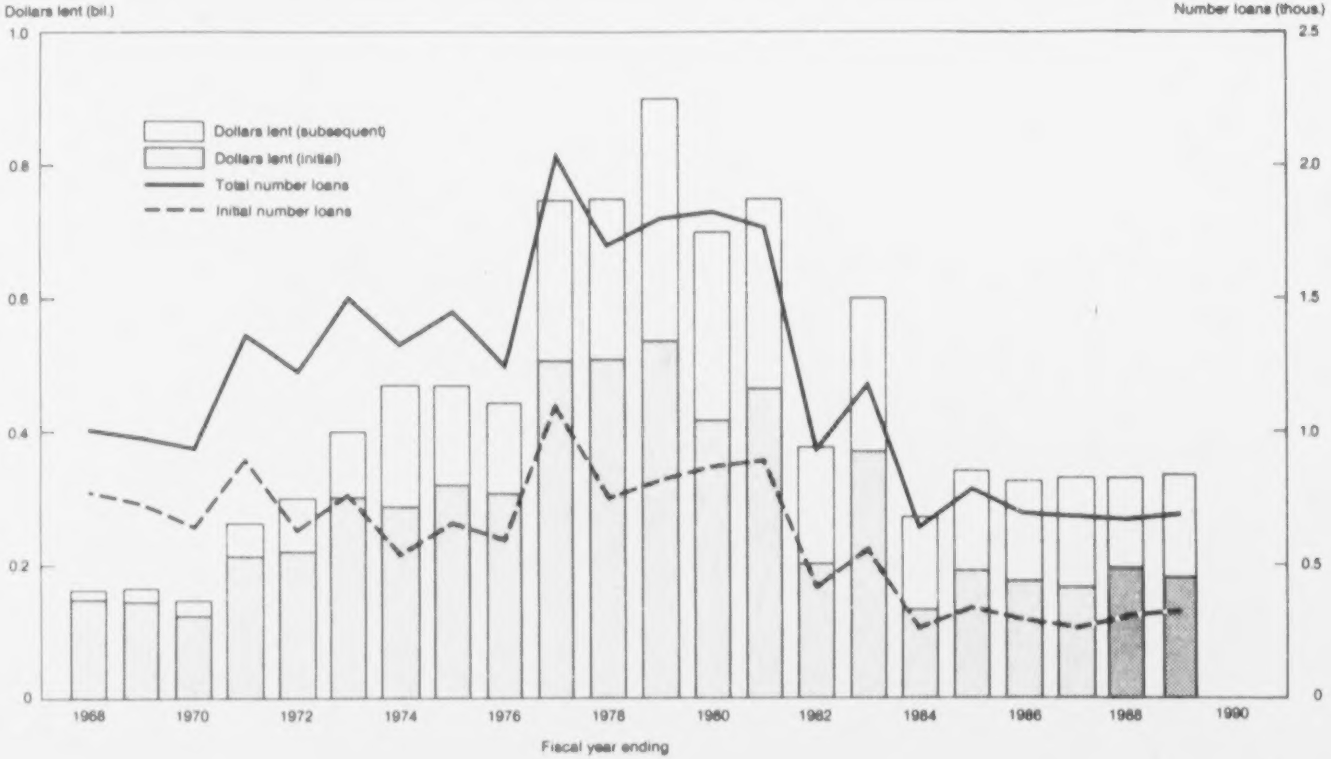
Table 10--Rural rental housing program:
Number of loans and dollars lent*

	Initial loans		Subsequent loans		Total loans	
	Number	Amount	Number	Amount	Number	Amount
1969	329	$15,351,280	61	$1,983,220	390	$17,334,500
1970	412	24,148,230	98	4,292,510	510	28,440,740
1971	325	21,012,400	97	5,776,290	422	26,788,690
1972	372	21,502,910	143	8,614,970	515	40,117,880
1973	546	87,886,880	184	17,175,750	730	105,062,630
1974	562	140,663,110	317	32,650,920	879	173,314,030
1975	903	267,036,590	205	25,319,750	1,153	292,356,340
1976	685	213,992,470	153	17,209,680	838	231,202,150
1977	1,114	518,017,210	222	26,936,970	1,336	544,954.180
1978	1,056	627,442,260	410	48,502,290	1,466	675,944,550
1979	1,247	827,894,470	398	41,614,090	1,645	869,508,560
1980	1,204	841,524,090	335	39,812,050	1,539	881,336,140
1981	1,213	825,921,420	253	38,843,810	1,466	864,765,230
1982	1,220	928,339,980	208	25,327,740	1,428	953,667,720
1983	1,043	783,730,240	152	18,267,160	1,195	801,997,400
1984	1,109	897,327,330	155	21,674,680	1,264	919,002,010
1985	1,085	880,801,618	156	22,534,750	1,242	903,336,368
1986	758	629,498,490	163	22,849,588	921	652,348,078
1987	618	533,615,900	126	21,282,908	744	554,898,880
1988	563	529,743,140	159	25,192,140	722	554,935,280
1989	551	519,321,590	208	35,612,790	759	554,934,380

* Includes direct loan costs.
Excludes insured loan cost.

Figure 11

Water and Waste Disposal Loan Program: Number of Loans and Dollars Lent*



*Includes loan costs

Table 11--Water and waste disposal loan program:
Number of loans and dollars lent*

	Initial loans		Subsequent loans		Total loans	
	Number	Amount	Number	Amount	Number	Amount
1970	647	123,183,450	294	22,847,040	941	146,030,490
1971	899	213,092,800	468	48,611,100	1,367	261,703,900
1972	631	220,777,500	595	79,221,500	1,226	299,999,000
1973	768	300,182,500	734	99,812,300	1,502	399,994,800
1974	546	288,354,157	779	181,644,943	1,325	469,999,100
1975	658	320,188,646	793	149,798,300	1,451	469,986,946
1976	597	308,206,748	648	134,435,086	1,245	442,641,834
1977	1,097	508,238,060	951	240,612,370	2,048	748,850,430
1978	756	509,133,100	946	240,862,700	1,702	749,995,800
1979	823	537,351,830	979	362,648,090	1,802	899,999,920
1980	869	418,664,010	956	281,335,690	1,825	699,999,700
1981	892	466,061,480	876	283,938,500	1,768	749,999,980
1982	423	202,338,450	505	172,661,550	928	375,000,000
1983	558	370,751,900	626	229,248,100	1,184	600,000,000**
1984	259	132,273,600	386	137,726,400	645	270,000,000
1985	343	191,386,700	440	148,613,300	783	340,000,000
1986	291	176,045,700	407	149,334,300	698	325,380,000
1987	267	165,156,280	412	165,223,720	679	330,380,000
1988	303	199,188,320	359	131,191,680	662	330,380,000
1989	316	176,098,450	363	156,781,550	679	332,880,000

* Includes loan costs.

** Includes $225,000,000 under the Emergency Jobs Bill in FY 1983.

Figure 12

Community Facility Loan Program: Number of Loans and Dollars Lent

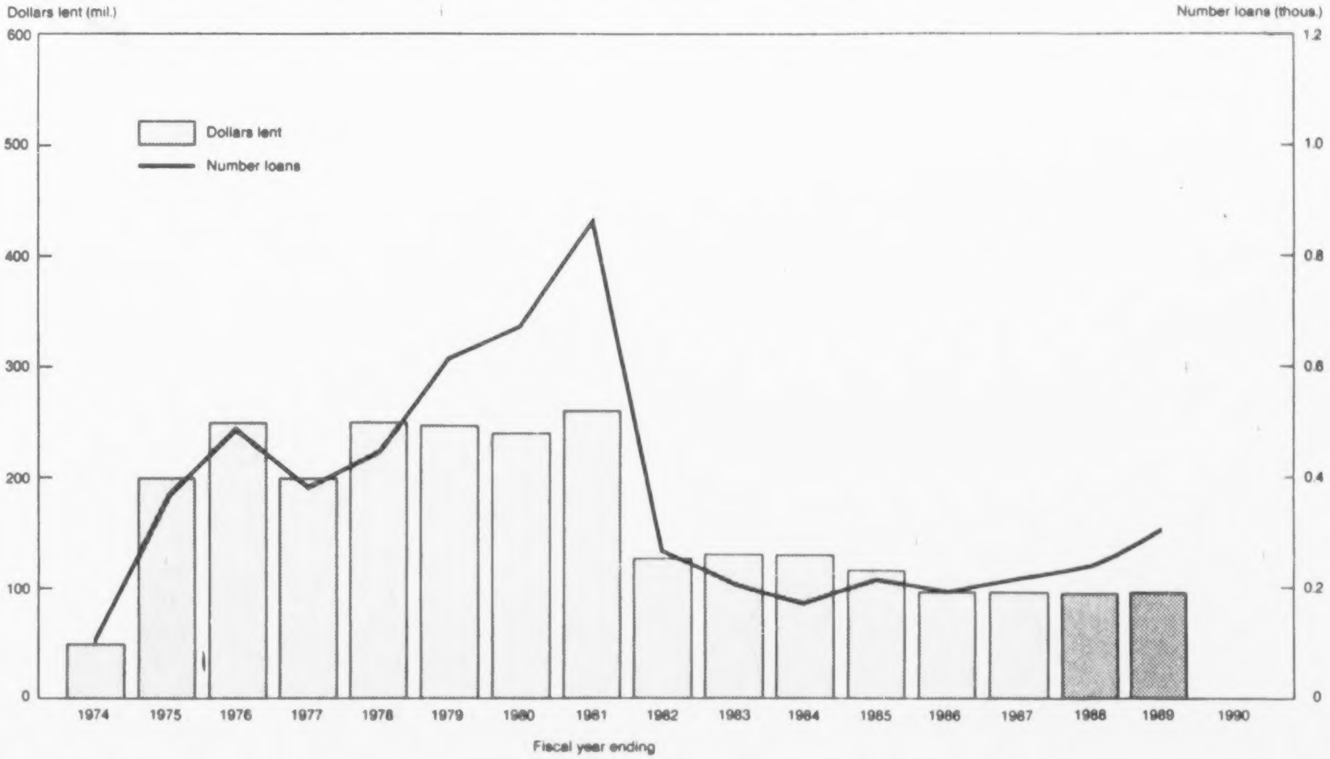


Table 12--Community facility loan program:
Number of loans and dollars lent

Fiscal Year	Number	Amount
1974	102	$ 49,830,700
1975	359	199,998,000
1976 + TQ*	485	249,995,600
1977	382	199,980,800
1978	447	249,997,000
1979	615	246,998,620
1980	674	240,000,000
1981	862	260,000,000
1982	267	126,191,250
1983	208	130,000,000
1984	173	129,998,500
1985	214	115,000,000
1986	192	95,700,000
1987	217	95,700,000
1988	234	95,700,000
1989	304	95,700,000

* Transition Quarter (TQ) for change of fiscal year.

Figure 13

Business and Industrial Development Loan Program: Number of Loans and Dollars Lent

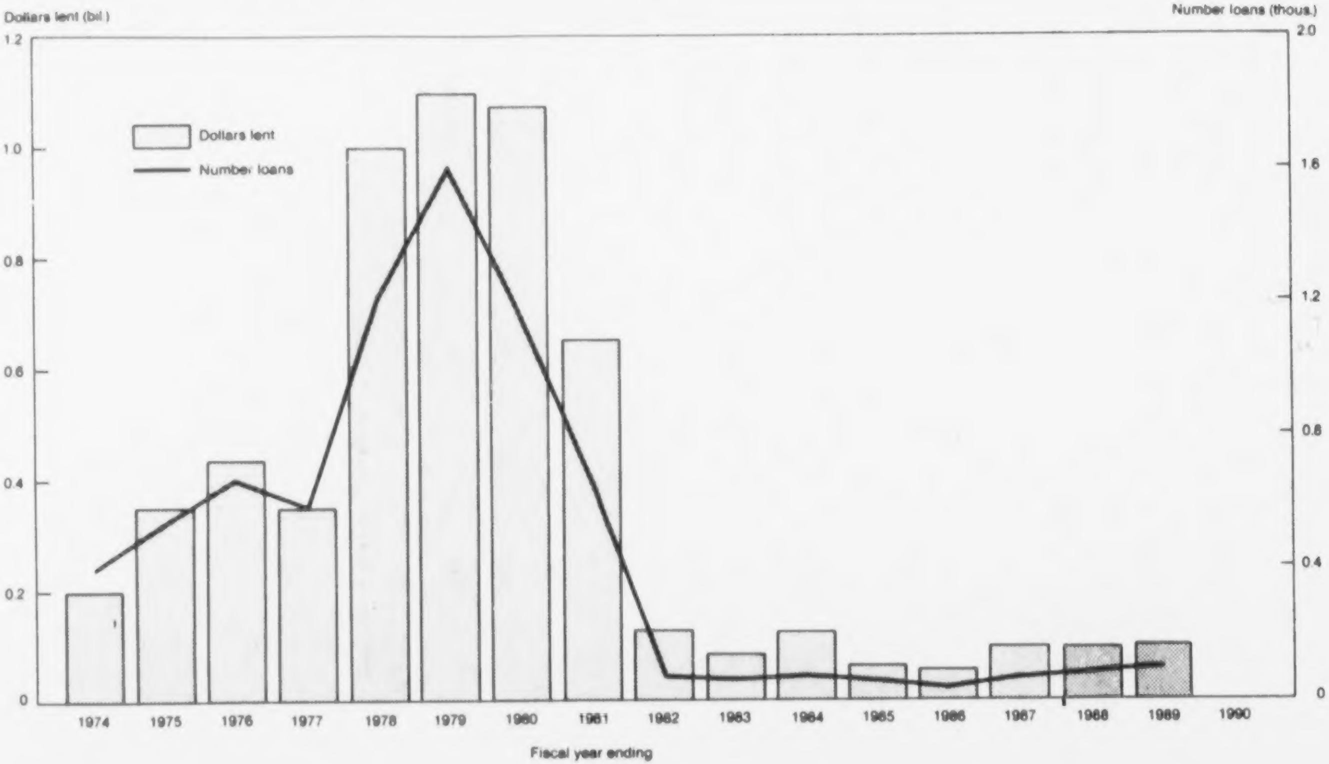


Table 13--Business and industrial development loan program:
Number of loans and dollars lent

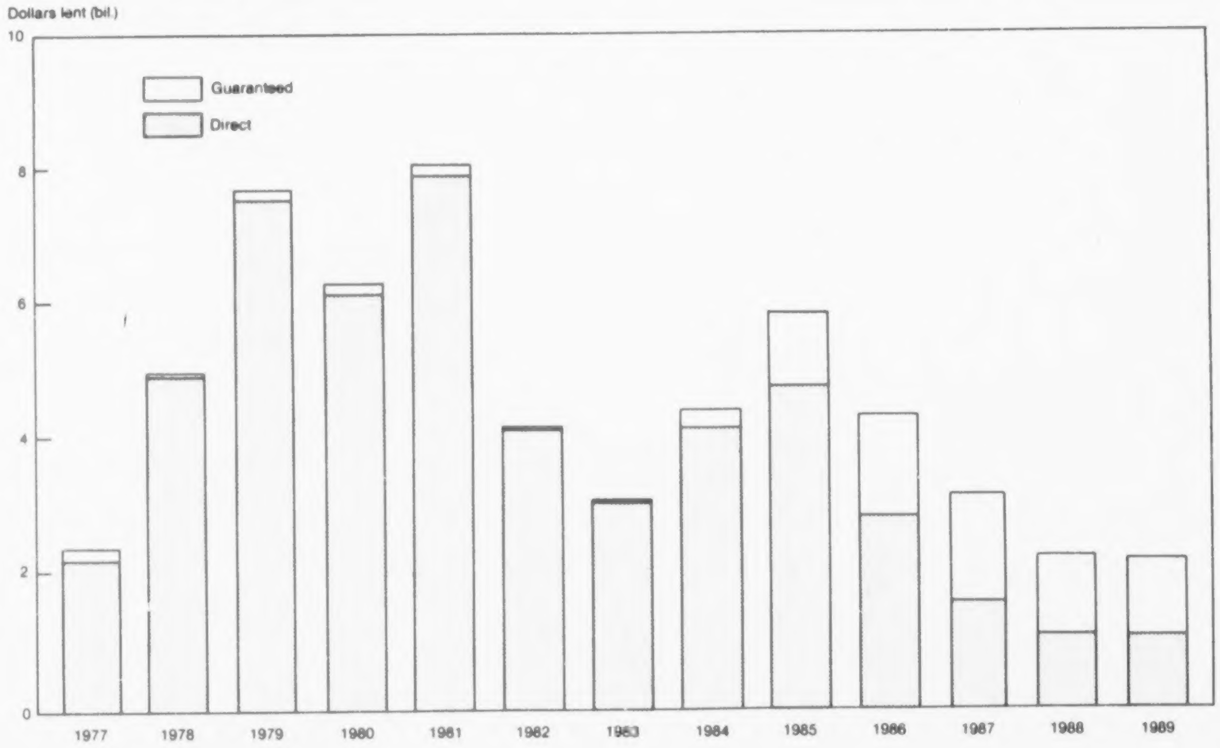
Fiscal Year	Number	Amount
1974	399	$ 199,980,545
1975	538	349,994,173
1976 & TQ*	663	437,498,741
1977	584	349,987,010
1978	1,213	999,978,030
1979	1,609	1,097,376,903**
1980	1,160	1,073,766,920
1981	638	652,280,250
1982	74	125,077,575
1983	64	81,911,810
1984	75	124,352,250
1985	54	61,337,500
1986	37	54,802,600
1987	67	95,699,770
1988	85	95,415,000
1989	100	99,121,540

* Transition Quarter (TQ) for change of fiscal year.

** Percentage guaranteed was charged against budget authority rather than total amount of loan guaranteed

Figure 14

Farmer Program Direct Loans and Guaranteed Loans*



*Direct loans + guaranteed loans = total farmer loans.

Table 14--Farmer program loans:
Amount of direct loans and guaranteed loans

	Direct loans	Guaranteed loans
1977	$2,249,452,210	$ 189,578,710
1978	4,916,728,720	79,133,090
1979	7,523,130,170	182,338,100
1980	6,186,729,560	162,545,680
1981	7,945,363,890	128,474,630
1982	4,062,677,900	51,185,040
1983	3,003,146,820	70,547,350
1984	4,075,829,750	442,893,640
1985	4,752,960,200	1,174,776,810
1986	2,798,390,410	1,559,570,600
1987	1,493,074,330	1,565,493,310
1988	1,049,336,280	1,254,879,020
1989	1,030,061,880	1,178,693,760

*Direct loans + guaranteed loans = total farmer program loans for each year.

FmHA State Office Locations

Alabama
Room 717, Aronov Building
474 South Court Street
Montgomery, AL 36104

Alaska
101 12th Ave., Room 244
Fairbanks, AK 99701

Arizona
201 E. Indianola
Suite 275
Phoenix, AZ 85012

Arkansas
Room 5529, Federal Building
700 W. Capitol
Little Rock, AR 72203

California-Nevada
194 West Main Street
Suite F
Woodland, CA 95695

Colorado
655 Parfet Street, Room E-100
Lakewood, CO 80215

Delaware-Maryland
2319 South Dupont Highway
Dover, DE 19901

Florida
401 S.E. 1st Avenue
Room 214, Federal Building
Gainesville, FL 32602

Georgia
Stephens Federal Building
355 E. Hancock Avenue
Athens, GA 30610

Hawaii
Room 311, Federal Building
154 Waianuenue Avenue
Hilo, HI 96720

Idaho
304 N. Eighth Street, Room 429
Boise, ID 83702

Illinois
Illini Plaza-Suite 103
1817 S. Neil Street
Champaign IL 61820

Indiana
5975 Lakeside Boulevard
Indianapolis, IN 46278

Iowa
Room 873, Federal Building
210 Walnut Street
Des Moines, IA 50309

Kansas
Room 176, 444 S.E. Quincy Street
Topeka, KS 66683

Kentucky
333 Waller Avenue
Lexington, KY 40504

Louisiana
3727 Government Street
Alexandria, LA 71302

Maine
USDA Office Building
Orono, ME 04473

Mass.-Rhode Island-Conn.
451 West Street
Amherst, MA 01002

Michigan
Room 209, 1405 South Harrison Road
East Lansing, MI 48823

Minnesota
252 Federal Bldg. and U.S. Courthouse
St. Paul, MN 55101

Mississippi
Suite 831, Federal Building
100 W. Capitol Street
Jackson, MS 39269

Missouri
555 Vandiver Drive
Columbia, MO 65202

Montana
Room 210, Federal Building
10 East Babcock Street
Bozeman, MT 59771

Nebraska
Room 308, Federal Building
100 Centennial Mall N
Lincoln, NE 68508

New Jersey
Tamsfield & Woodlane Rds.
Tamsfield Plaza, Suite 22
Mt. Holly, NJ 08060

New Mexico
Room 3414, Federal Building
517 Gold Avenue, SW
Albuquerque, NM 87102

New York
Room 871, James Hanley Federal Building
100 South Clinton Street
Syracuse, NY 13260

North Carolina
310 New Bern Ave., Room 525
Raleigh, NC 27601

North Dakota
Room 208, Federal Building
Third and Rosser
Bismarck, ND 58502

Ohio
Federal Bldg., Room 507
Columbus, OH 43215

Oklahoma
USDA Agricultural Center Building
Stillwater, OK 74074

Oregon
Room 1590, Federal Building
1220 S.W. 3rd Avenue
Portland, OR 97204

Pennsylvania
Room 730, Federal Building
Harrisburg, PA 17108

Puerto Rico
Rm. 623 Frederico Degetau Federal Bldg.
Carlos Chardon Street
Hato Rey, PR 00918

South Carolina
Room 1007,
Strom Thurmond Federal Building
1835 Assembly Street
Columbia, SC 29201

South Dakota
Room 308, Huron Federal Building
200 4th Street, SW
Huron, SD 57350

Tennessee
538 Federal Building
801 Broadway
Nashville, TN 37203

Texas
Suite 102, Federal Building
101 South Main
Temple, TX 76501

Utah
Room 5438, Federal Building
125 South State Street
Salt Lake City, UT 84138

Vermont-New Hampshire
141 Main Street
Montpelier, VT 05602

Virginia
Room 8213, Federal Building
400 North Eighth Street
Richmond, VA 23240

Washington
Room 319, Federal Building
P.O. Box 2427
Wenatchee, WA 98807

Wisconsin
1257 Main Street
Stevens Point, WI 54481

West Virginia
75 High Street
Morgantown, WV 26505

Wyoming
Room 1005, Federal Building
100 East B
Casper, WY 82602

FARMERS HOME ADMINISTRATION

Purpose Statement

The Farmers Home Administration was established November 1, 1946, by the Farmers Home Administration Act of 1946. Farmers Home Administration's program activities include:

FARMER PROGRAMS:

Farm ownership loans - are made to farmers and ranchers who are or will be owner operators of a not larger than family-size farm and who cannot obtain credit elsewhere to improve or acquire farms, refinance debts, finance non-farm enterprises, or make additions to farms. The interest rate for direct loans is determined by the Secretary of Agriculture and does not exceed the cost-of-money to the Government, plus up to 1 percent additional. However, loans to limited resource borrowers bear interest of not more than one-half of the cost-of-money but not less than 5 percent per year and will be increased when periodic reviews indicate a borrower is able to pay an increased rate up to the cost-of-money rate. The applicable interest rate is increased by 2 percent if the project being financed involves the use of prime farmland for non-farm purposes. The interest rate for guaranteed loans is negotiated by the lender and borrower. The term for farm ownership loans is usually 30 years, but may be up to 40 years when the longer term is needed.

Operating loans - provide short-to-intermediate term production or chattel credit to farmers who are or will be the operators of a not larger than family-size farm and who cannot obtain credit elsewhere. Loan terms include a repayment period not to exceed 7 years but may be rescheduled for up to 15 additional years. The interest rate for direct loans is determined by the Secretary of Agriculture and does not exceed the cost-of-money to the Government, plus up to 1 percent additional. However, loans to limited resource borrowers bear interest at a rate 3 percent below the cost-of-money and will be increased when periodic reviews indicate a borrower is able to pay an increased rate up to the cost-of-money rate. The interest rate is increased by 2 percent if the project being financed involves the use of prime farmland for non-farm purposes. The interest rate for guaranteed loans is negotiated by the lender and borrower.

Emergency disaster loans - are made to farmers in counties declared as emergency disaster areas or in contiguous counties to restore production. Family farmers who cannot get credit elsewhere are eligible for actual loss loans of up to $500,000 per disaster at a rate of 4.5 percent. Repayment terms for actual loss loans vary according to the purposes of the loan, type of collateral available to secure the loan, and the projected repayment ability of the borrower. Loans for actual production or physical losses to crops, livestock, supplies and equipment may be scheduled for repayment for up to seven years. Under some conditions a longer repayment period may be authorized for production loss loans, but not to exceed 20 years. Generally, real estate will be needed as security when more than seven years is authorized. Loss loans for actual losses to real estate will generally be scheduled for repayment within 30 years but under some conditions may be scheduled for up to 40 years.

Soil and water loans - are made to farmers, ranchers and non-operator owners for land and water development, use, and conservation. Loans are repayable in not more than 40 years. The interest rate for direct loans is determined by the Secretary of Agriculture and does not exceed the cost-of-money to the Government, plus up to 1 percent additional. The interest rate is increased by 2 percent if the project being financed involves the use of prime farmland for non-farm purposes. Guaranteed loans bear an interest rate negotiated by the lender and the borrower.

State mediation grants - are made to States which have been certified by FmHA as having an agricultural loan mediation program which meets the requirements for certification. Grants will be solely for operation and administration of the State's Agricultural Loan Mediation Program. A grant will not exceed 50 percent of the total fiscal year funds that a qualifying State requires to operate and administer its Agricultural Loan Mediation Program. In no case will the total amount of a grant exceed $500,000 annually.

HOUSING PROGRAMS:

Section 502 - Subsidized housing loans - are made to repair or purchase new or existing housing in order to provide very low-income and low-income rural residents who cannot obtain credit elsewhere, with a modest, safe, and sanitary single family dwelling at rates and terms they are able to afford. Families are eligible who meet certain criteria and qualify for interest credit which reduces the effective interest rate for the borrower to as low as 1 percent. Loans are repayable normally in 33 years, or 38 years under certain conditions. Not less than 40 percent of the funding authorized nationally is to be set aside for very low-income families or persons, and not less than 30 percent of the funding allocated to each State is to be available for very low-income families or persons.

Section 502 - Nonsubsidized housing loans - are made to finance equity and make repairs in connection with transfers, repairs and renovation to existing borrower dwellings, and repairs to suitable inventory dwellings in connection with credit sales; or to low or very low-income applicants that are otherwise eligible for the program but do not require interest credit assistance under the interest credit formula. This credit is made available to those who cannot obtain credit elsewhere. The interest rate is based on Treasury's cost-of-money. The term for repayment is normally 33 years.

Section 515 - Rural rental and cooperative housing loans - are made to individuals, corporations, associations, State or local public agencies, trusts, or partnerships to provide moderate cost rental or cooperative housing and related facilities for elderly persons and other persons of low-income and very low-income or moderate-income in rural areas. These loans are repayable in not more than 50 years, and the interest rate to the borrower is based on Treasury's cost-of-money with provisions for interest reductions under certain circumstances based on tenant income. These loans, with the exception of loans to State or local public agencies, are made only if the need for necessary housing cannot be met with financial assistance from other sources. Loans may also be made to provide equity payments to borrowers whose Section 515 loans could otherwise be prepaid and removed from the program. Equity loans can also be made to nonprofit organizations and public agencies wishing to purchase projects that are eligible for prepayment.

Section 521 - Rural rental assistance payments - are made to owners of FmHA financed rental projects in order to make housing affordable to very low-income occupants at rates commensurate to their incomes. Rental rates to tenants are not to exceed the higher of (1) 30 percent of the monthly adjusted income, (2) 10 percent of monthly income, or (3) the portion of the welfare assistance payments specifically designated for housing costs in the case of a person or a family receiving such assistance. Starting in fiscal year 1989, Congress authorized and appropriated assistance under Section 502(c)(5)(D) for debt forgiveness or payments to eligible households of subsidized tenant rents in projects purchased by eligible nonprofit organizations or public agencies to prevent diversion of low-income rental housing by virtue of Section 515 loan prepayment. The Agency plans to use the subsidy payment mechanism of the rental assistance program to accomplish this mandate.

Section 504 - Very low-income housing repair grants - are made to low-income persons to make necessary repairs to their dwellings in order to make them safe and remove health hazards to the families or the community. Recipients must be 62 years of age or older, handicapped, or disabled and unable to repay a loan. These grants carry a lifetime assistance limitation of $5,000 per recipient.

Section 504 - Very low-income housing repair loans - are made to very low income persons to repair or improve their dwellings in order to make them safe and sanitary or to remove health hazards to the families or the community. Loans are made at a 1 percent interest rate for not more than 20 years. The maximum loan assistance for section 504 repair purposes is $15,000.

Section 514 - Rural housing for domestic farm labor loans - are made to farm owners, to public or private nonprofit organizations, or to nonprofit organizations of farm workers to provide modest living quarters, basic household furnishings, and related facilities for farm workers. The loans are repayable in not more than 33 years and bear interest not in excess of 1 percent, except under certain circumstances. The interest rate limitation may be waived by the Secretary of Agriculture in favor of a Treasury cost-of-money based interest rate in order to provide needed housing and related facilities for migrant domestic farm laborers if sponsoring farm owners have substantial assets but are unwilling to secure private financing to provide the needed housing. Loans to organizations may be made simultaneously with farm labor housing grants and are made only if the necessary housing cannot be provided with financial assistance from other sources.

Section 516 - Rural housing for domestic farm labor grants - are made to public or broad-based private nonprofit organizations, States or political subdivisions, or nonprofit organizations of domestic farm workers. Grant assistance, not to exceed 90 percent of the total development costs, is provided for new construction or rehabilitation of existing buildings suitable for dwelling use by domestic farm labor. Funds also may be used for essential related facilities such as dining halls, community rooms or buildings, infirmaries or other essential services, including basic household furnishings. These grants may be made simultaneously with domestic farm labor housing loans.

Section 524 - Rural housing site loans - are made for purchase and development of land to be subdivided into building sites and sold on a nonprofit basis to low-income and moderate-income families or to organizations for rental or cooperative housing. Direct loans are made for a 2-year period at an interest rate based on Treasury's cost-of-money.

Section 523 - Mutual and self-help housing grants - are especially designed to aid the development of mutual or self-help housing programs under which groups of families build their own homes by mutually exchanging labor. Grants are used to provide technical and supervisory assistance to rural families who build their homes by the self-help method.

Section 509 - Compensation for construction defects - payments are made to eligible Section 502 borrowers to pay for making structural repairs on newly constructed dwellings built or purchased as approved by the Agency. The assistance must be requested by the owner of the property within 18 months after the loan is closed or final construction inspection is made. Claims will not be paid until provisions under the builder's warranty have been fully pursued.

Section 533 - Housing preservation grants - are made to eligible nonprofit private groups, Indian tribes, or Government agencies for the rehabilitation of single family housing owned by low-income and very low-income rural families and the rehabilitation of rental and cooperative housing for low-income and very low-income rural families.

Self-help housing land and development fund - provides qualified public or private nonprofit organizations with financing for the acquisition and development of rural building sites for houses to be constructed by the self-help method. Loans are made for a 2-year period at an interest rate not to exceed 3 percent.

COMMUNITY PROGRAMS:

Community facility loans - are insured loans authorized to be made to public, quasi-public, and nonprofit associations and to certain Indian tribes for essential community facilities including necessary related equipment. Loans are repayable in not more than 40 years. Direct loans bear interest not in excess of the current market yield for comparable term municipal obligations. Those loans, made in areas where: (1) the median household income falls below the higher of 80 percent of the statewide nonmetropolitan median household income or the poverty level, and (2) the project is needed to meet health or sanitary standards, bear interest not in excess of 5 percent. An intermediate rate based on the poverty rate plus one-half the difference between 5 percent and the market rate, with a ceiling of 7 percent, will apply for those projects that do not meet the requirements for the 5 percent interest rate but are located in areas where the median household income does not exceed 100 percent of the statewide nonmetropolitan median household income. Direct loan recipients also have their choice between the interest rate in effect at the time of loan approval or loan closing. An additional 2 percent is added to the interest rate if projects are built on prime farmland, unless the borrower is a public body and there are no suitable optional sites. Guaranteed loans may be made to borrowers unable to obtain credit elsewhere under similar terms and conditions. The interest rate for guaranteed loans is negotiated between the lender and borrower. Ineligible guaranteed loan transactions include loans involved in tax-exempt obligations and loans involving a FmHA grant.

Water and waste disposal loans - are loans authorized to be made to public, quasi-public, and nonprofit associations, and to certain Indian tribes for the development, replacement, or upgrading of water systems and waste disposal systems. These loans are repayable in not more than 40 years. Direct loans bear interest not in excess of the current market yield for comparable term municipal obligations. Those loans, made in areas where: (1) the median household income of the service area falls below the higher of 80 percent of the statewide nonmetropolitan median household income or the poverty level; and (2) the project is needed to meet applicable health or sanitary standards, bear interest not in excess of 5 percent. An intermediate rate based on the poverty rate plus one-half the difference between 5 percent and the market rate, with a ceiling of 7 percent, will apply for those projects that do not meet the requirements for the 5 percent interest rate but are located in areas where the median household income does not exceed 100 percent of the statewide nonmetropolitan median household income. Guaranteed loans may be made to borrowers unable to obtain credit elsewhere under similar terms and conditions. The interest rate for guaranteed loans is negotiated between the lender and borrower. Ineligible guaranteed loan transactions include loans involved in tax-exempt obligations and loans involving a FmHA grant.

Water and waste disposal grants - are authorized to be made to public, quasi-public, and nonprofit associations, and to certain Indian tribes for the development, storage, treatment, purification, and distribution of water or the collection, treatment, or disposal of waste in rural areas. Grants are used for water and waste disposal projects servicing the most financially needy communities to reduce user costs to a reasonable level for farmers, ranchers, and other rural residents. Grants may be made to communities that have a median household income that falls below the higher of the poverty line or 100 percent of the State's nonmetropolitan median household income. Grant rates are based on a graduated scale providing higher rates for projects in communities that have lower income levels but may not exceed 75 percent of the development costs of the project. The grant rate for communities whose income level exceeds the poverty line and is more than 80 percent but less than 100 percent of the State's nonmetropolitan median household income may not exceed 55 percent of the development cost of the project. In addition, P.L. 99-198, the Food Security Act of 1985, provided that not less than 1 percent nor more than 2 percent of the water and waste disposal grant funds appropriated each year be made available for technical assistance and training of eligible grantee associations.

Business and industrial guaranteed loans - are guarantees issued to local lenders on loans made to public, private, or cooperative associations organized for profit or nonprofit, to certain Indian tribes or tribal groups, corporate entities, or to individuals for the purpose of improving, developing, or financing business, industry, and employment, and improving the economic and environmental climate in rural communities. These loans are made at rates agreed upon by the borrower and lender with a maturity of 7, 15, or 30 years depending on the collateral offered, with a maximum of $10 million per loan. Loan guarantees can also be issued through the Drought and Disaster (D&D) and Disaster Assistance for Rural Business Enterprises (DARBE) programs. These programs are designed to help alleviate economic stress on rural business entities caused, directly or indirectly, by natural disasters occurring in 1988 and 1989. The maximum loan principal guaranteed through the D&D program cannot exceed $500,000 per borrower and $2,500,000 under the DARBE program.

Rural Development/Intermediary loans - are to be made to intermediary borrowers (i.e., private nonprofit corporations, state or local government agencies, Indian tribes, and cooperatives) who, in turn, will relend the funds to rural businesses, private nonprofit organizations and others meeting the criteria for ultimate recipients. Financial assistance from the intermediary to the ultimate recipient must be for community development projects, the establishment of new businesses and/or the expansion of existing businesses, creation of employment opportunities and/or saving existing jobs. The total amount of FmHA loan funds requested by the intermediary plus the outstanding balance of existing FmHA loan(s) may not exceed $3,000,000 per intermediary.

Indian tribe land acquisition loans - are made to qualified Indian tribes or tribal corporations to acquire land or interest in land within the tribe's reservation or Alaskan Indian community, as determined by the Secretary of the Interior. The interest rate is determined by the Secretary of Agriculture. It does not exceed the cost-of-money to the Government except those tribes who are unable to pay the higher rate currently may be charged a lower interest rate. Loans are repayable in not more than 40 years.

Watershed works of improvement and flood prevention loans - are made to local sponsors of projects approved for operation by the Soil Conservation Service. Loans are made to local organizations for installing, repairing, or improving watersheds and water storage facilities, purchasing sites or rights-of-way, and related costs. These loans are repayable in not more than 50 years at an interest rate based on the average rate paid by the U.S. Treasury on obligations of similar maturity. Total loans outstanding on any one project may not exceed $10 million.

Resource conservation and development loans - are made to local sponsors of projects approved for operation by the Soil Conservation Service. Loans are made to local organizations for planned conservation measures and works of improvement as specified in approved work plans. These loans are repayable in not more than 30 years at an interest rate based on the average rate paid by the U.S. Treasury on obligations of similar maturity.

Rural development grants - are industrial development grants to finance and facilitate development of small and emerging private business enterprises in rural areas or cities of up to 50,000 population. Priority is given to applications for projects in open country, rural communities and towns of 25,000 and smaller and economically distressed communities. Industrial development grants include grants made to third party lenders to establish revolving loan programs.

Other rural development grants - are provided from funds transferred from the Appalachian Regional Commission and other Federal organizations for cooperative efforts in rural development. The funded projects focus on basic needed facilities essential to the region's growth and economic development.

General - In fiscal year 1991, the budgeted lending programs will be comprised of insured and guaranteed loans. The term "insured" is defined as loans made from the revolving funds, which are held in a pool as security for certificates of beneficial ownership that are sold to investors. Presently, no certificates of beneficial ownership are being sold. The purchaser's investment is fully insured by the Government against any loss of either principal or interest. Generally, no insured loan is made to anyone who can secure adequate credit from other sources at reasonable rates and terms. The Rural Development Act of 1972 authorized financial assistance to be provided to borrowers by guaranteeing loans made by a Federal or State chartered bank, savings and loan association, cooperative lending agency, or approved lending institution.

The term "guarantee" is defined as "to guarantee the payment of a loss on a loan originated, held, and serviced by a private financial agency or other lender approved by the Secretary." Technical guidance in planning and carrying out sound operations is provided to borrowers on the basis of their individual problems and needs.

As of September 30, 1989, FmHA's portfolio was about 1.5 million loans with principal indebtedness of about $60 billion. FmHA administers its programs through the Washington Headquarters, 46 State offices, a National Finance Office in St. Louis, Missouri, and approximately 2,200 district and county offices utilizing the services of about 3,000 supervisors and 5,000 local committee members. As of September 30, 1989, there were 15,149 FmHA employees, of which 11,559 were full-time employees in permanent positions. Of these, 545 PFT and 30 others were based in Washington and 11,014 PFT and 3,560 others were in the field.

Available Funds and Staff Years, 1989 and Estimated 1990 and 1991

(Note: The following table reflects appropriations and transfers from other agencies.)

Item	1989 Actual		1990 Estimated		1991 Estimated	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Farmers Home Administration						
Rural housing insurance fund:						
Reimbursement for interest subsidies and losses.	3,660,061,000	--	2,677,897,000	--	2,667,186,000	--
Guaranteed loan interest subsidy	--	--	--	--	362,460,000	--
Rural rental assistance reimbursement.	177,356,989	--	212,468,000	--	253,496,000	--
Subtotal, rural housing insurance fund	3,837,417,989	--	2,890,365,000	--	3,283,142,000	--
Agricultural credit insurance fund:						
Reimbursement for interest subsidies and losses	3,467,596,000	--	4,120,159,000	--	a/ 6,014,356,000	--
State Medication Grants	3,000,000	--	3,456,000	--	2,000,000	--
Guaranteed loan interest subsidy	--	--	--	--	33,227,000	--
Subtotal, agricultural credit insurance fund	3,470,596,000	--	4,123,615,000	--	6,049,583,000	
Rural development insurance fund:						
Reimbursement for interest subsidies and losses	b/ 1,596,047,000	--	c/ 1,474,499,000	--	1,666,160,000	--
Rural development loan d/ fund	11,000,000	--	17,318,000	--	28,000,000	--
Rural water and waste e/ disposal grants	116,895,000	-	207,700,000	--	100,000,000	--
Rural community fire protection grants.	3,091,000	--	3,091,000	--	--	--
Rural housing for f/ domestic farm labor	9,513,000	--	10,862,000	--	10,000,000	--
Mutual and self-help g/ housing grants	8,000,000	--	8,634,000	--	--	--
Very low income housing repair grants h/	12,500,000	--	12,500,000	--	10,000,000	--
Housing voucher program	--	--	--	--	189,928,000	--
Compensation for construction defects i/	500,000	--	500,000	--	--	--
Rural housing preservation grants	19,140,000	--	19,140,000	--	15,000,000	--
Rural development grants	6,500,000	--	16,406,000	--	--	--
Salaries and Expenses:						
Direct appropriation	j/ 415,517,497)		j/ 423,534,000)		447,787,000)	
Transfer from ACIF.	1,000,000)	10,026	1,000,000)	9,679	1,000,000)	9,929
Transfer from ACIF and RHIF	--)		3,000,000)		3,000,000)	
Subtotal, salaries and expenses	416,517,497	10,026	427,534,000	9,679	451,787,000	9,929
Total	9,507,717,486	10,026	9,212,164,000	9,679	11,803,600,000	9,929

Available Funds and Staff Years, 1989 and Estimated 1990 and 1991-Continued

Item	1989 Actual		1990-Estimated		1991 Estimated	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Other obligations under Farmers Home Administration accounts:						
Agricultural credit insurance fund (emergency loan programs administrative funds)	103,478,000	2,533	136,733,000	3,135	148,789,000	3,310
Obligations under other USDA appropriations:						
Soil Conservation Service:						
Watershed protection & flood prevention.	255,000	8	251,300	7	250,000	7
Resource conservation and development...	60,000	2	59,200	2	59,000	2
Total, Soil Conservation Service...	315,000	10	310,500	9	309,000	9
Miscellaneous reimbursements:						
Agricultural Service Centers	240,919	--	568,000	--	584,000	--
Total, Agricultural Appropriations...	9,611,751,405	12,569	9,349,775,500	12,823	11,953,282,000	13,248
Other Federal Funds:						
Other program funds from Federal sources:						
Appalachia Regional Development Program Grants...	16,401,007	--	12,000,000	--	3,000,000	--
Total, other program funds...	16,401,007	--	12,000,000	--	3,000,000	--
Other administrative funds from Federal sources:						
Appalachia Regional Conservation Program and Economic Development Administration...	49,829	2	60,000	2	60,000	2
Sales of Property through GSA...	14,230	--	15,000	--	15,000	--
Miscellaneous Receipts (health clinic, jury duty, etc.)...	26,182	--	32,000	--	32,000	--
Total, other administrative funds...	90,241	2	107,000	2	107,000	2
Total, other funds...	16,491,248	2	12,107,000	2	3,107,000	2
Total, Farmers Home Administration...	9,628,242,653	12,571	9,361,882,500	12,825	11,956,389,000	13,250

Available Funds and Staff Years, 1989 and Estimated 1990 and 1991-Continued

	1989 Actual	1990 Estimated	1991 Estimated
Full time Equivalent Staff-Years:			
Ceiling....................	12,571	12,825	13,250
Non Ceiling.......	452	500	500
Total.....	13,023	13,325	13,750

a/ Includes funds to reimburse FY 1988 losses that were not reimbursed in FY 1990.

b/ Excludes $11,000,000 transferred to the Rural Development Loan Fund as authorized by P.L. 100-460.

c/ Includes funds to reimburse FY 1987 losses that were not reimbursed in FY 1989.

d/ In addition, $2,627,962 in repayments to the fund was available in FY 1989, and an estimated $2,000,000 in repayments will be available in FY 1990 and FY 1991.

e/ In addition, $1,239,975 of unobligated balance and $5,834,110 of recoveries from prior year appropriations were available in 1989 and $1,270,573 of unobligated balance will be made available in 1990.

f/ In addition, $450,011 of unobligated balance and $1,846,080 of recoveries from prior year appropriations were available in FY 1989 and $2,074,797 of unobligated balance will be made available in FY 1990.

g/ In addition, $8,542,509 of unobligated balance and $516,766 of recoveries were available in FY 1989 and $6,859,270 of unobligated balance will be made available in FY 1990.

h/ In addition, $61 of unobligated balance will be made available for FY 1990.

i/ In addition, $186,184 of unobligated balance will be made available in FY 1990

j/ Includes $600,000 appropriated separately to the Office of the Administrator.

FARMERS HOME ADMINISTRATION
Permanent Positions by Grade and Staff-Year Summary
1989 and Estimated 1990 and 1991

Grade	1989			1990			1991		
	Head-quarters	Field	Total	Head-quarters	Field	Total	Head-quarters	Field	Total
Executive Level V	1	--	1	1	--	1	1	--	1
ES-6	1	--	1	1	--	1	1	--	1
ES-5	3	--	3	3	--	3	3	--	3
ES-4	2	1	3	2	1	3	2	1	3
ES-3	2	--	2	2	--	2	2	--	2
ES-2	1	--	1	1	--	1	1	--	1
ES-1	2	--	2	2	--	2	2	--	2
GS/GM-15	32	49	81	34	49	83	34	49	83
GS/GM-14	64	18	82	68	20	88	68	20	88
GS/GM-13	118	452	570	126	474	600	126	474	600
GS-12	88	1,390	1,478	94	1,495	1,589	94	1,499	1,593
GS-11	39	1,532	1,571	42	1,542	1,584	42	1,545	1,587
GS-10	1	3	4	1	63	64	1	63	64
GS-9	36	1,452	1,488	39	1,542	1,581	39	1,545	1,584
GS-8	8	143	151	9	123	132	9	123	132
GS-7	41	999	1,040	44	1,044	1,088	44	1,047	1,091
GS-6	38	1,183	1,221	41	1,236	1,277	41	1,240	1,281
GS-5	25	2,410	2,435	27	2,500	2,527	27	2,505	2,532
GS-4	30	1,071	1,101	32	1,111	1,143	32	1,113	1,145
GS-3	8	485	493	9	500	509	9	501	510
GS-2	4	47	51	4	49	53	4	49	53
GS-1	--	3	3	--	3	3	--	3	3
Ungraded Positions	3	3	6	2	2	4	2	2	4
Total Permanent Positions	547	11,241	11,788	584	11,754	12,338	584	11,779	12,363
Staff Years:									
Ceiling	556	12,015	12,571	590	12,235	12,825	590	12,660	13,250
Non-Ceiling	9	443	452	20	480	500	20	480	500
Total 1/	565	12,458	13,023	610	12,715	13,325	610	13,140	13,750

1/ Staff-Years of overtime included: 1989, 167; 1990, 185; 1991, 185.

FARMERS HOME ADMINISTRATION

CLASSIFICATION BY OBJECTS

FY 1989 and Estimated FY 1990 and FY 1991

Personnel Compensation:	FY 1989	FY 1990	FY 1991
Headquarters	$ 17,304,000	$ 18,168,000	$ 18,643,000
Field	242,905,000	242,121,000	256,332,000
11 Total personnel compensation	260,209,000	260,289,000	274,975,000
12 Personnel benefits	50,450,000	54,889,000	62,081,000
13 Benefits for former personnel	460,404	600,000	600,000
Total personnel compensation and benefits	311,119,404	315,778,000	337,656,000
Other Objects:			
21 Travel	15,490,000	16,484,000	17,132,000
22 Transportation of things	2,095,000	2,362,000	2,488,000
23.2 Rental payments to others	14,006,000	15,955,000	17,725,000
23.3 Communications, utilities and miscellaneous charges	27,396,000	29,647,000	28,818,000
24 Printing and reproduction	4,017,000	3,882,000	4,141,000
25 Other services	29,648,000	34,453,000	34,915,000
26 Supplies and materials	3,227,000	4,195,000	4,501,000
31 Equipment	2,868,094	4,488,000	4,096,000
41 Grants, subsidies and contributions	187,143,542	292,679,000	326,928,000
42 Insurance claims and indemnities	429,725	258,000	275,000
43 Interest and dividends	20,416	32,000	40,000
Total other objects	286,340,777	404,435,000	441,059,000
000			
Total direct obligations	597,460,181	720,213,000	778,715,000
Position Data:			
Average Salary, ES positions	$75,392	$78,117	$94,875
Average Salary, GS positions	$25,555	$26,575	$27,505
Average Grade, GS positions	7.83	7.86	7.86

FARMERS HOME ADMINISTRATION
COMPARISON OF LOAN DELINQUENCY RATE
(Dollars in Thousands)

	September 30, 1988						September 30, 1989					
	All Borrowers		Borrowers Delinquent				All Borrowers		Borrowers Delinquent			
	Number	Amount of Loans Outstanding	Number	% of Del	Amount Delinquent	% of All	Number	Amount of Loans Outstanding	Number	% of Del	Amount Delinquent	% of All
Agricultural Credit Insurance Fund:												
Individual Loans:												
Farm Ownership 1/........	114,829	$7,301,783	28,179	25	$614,788	8	109,387	$7,044,148	23,775	22	$627,369	9
Farm Operating...........	109,083	5,698,319	41,871	38	1,441,882	25	98,225	5,289,785	35,046	36	1,349,425	26
Recreation...............	160	10,512	48	30	2,023	19	152	10,040	44	29	2,408	24
Emergency Disaster.......	97,626	8,413,455	43,080	44	4,801,349	43	88,375	7,682,369	35,082	40	4,829,092	60
Economic Emergency.......	41,286	3,376,279	20,481	50	1,400,611	42	37,120	3,065,117	17,267	47	1,342,778	44
Soil and Water...........	13,712	264,346	4,108	30	52,615	20	12,873	249,177	3,448	27	53,219	21
Association Loans:												
Irrigation and Drainage..	160	16,169	16	10	1,529	9	147	14,626	12	8	1,978	14
Grazing..................	236	54,307	13	6	3,455	6	226	49,224	9	4	3,973	8
Recreation...............	568	56,052	17	3	1,037	2	539	52,072	9	2	892	1
Indian Tribe Land Acq....	29	86,496	1	3	100	0	30	85,959	1	3	262	0
Watershed Protection & Flood Prevention.......	232	78,697	4	2	428	1	222	75,258	4	2	367	0
Resource Conservation & Development............	131	12,967	10	8	664	5	123	11,183	8	7	748	7
Total, ACIF.........	378,070	25,361,362	137,830	37	8,328,694	33	347,421	23,376,978	114,605	33	8,012,111	34
Rural Housing Insurance Fund												
Low to Mod.-Inc. Hous. Lns:												
Repair (Section 504)......	26,887	55,832	2,627	10	2,904	5	27,251	56,875	2,653	10	534	1
General Purpose (Sec. 502):												
Interest Credit..........	370,232	12,215,960	66,693	18	53,912	0	364,044	12,243,239	69,199	19	56,418	0
Non-Interest Credit.....	360,475	6,016,319	69,268	19	240,150	4	355,120	6,117,445	67,089	19	198,687	3
Above Moderate-Income Hous. Loans (Section 502).....	13,646	299,080	1,067	8	650	0	13,221	299,664	1,163	8	2,175	1
Domestic Farm Labor Loans (Section 514).............	1,882	134,738	194	15	2,143	2	1,286	125,964	140	11	1,575	1
Rental or Cooperative Loans (Section 515).............	14,678	8,279,310	1,166	8	29,788	0	15,197	8,859,526	629	4	29,378	0
Site Lns (Sec 523 & 524) 2/.	2	863	1	50	7	1	2	118	2	100	119	101
Total, RHIF.......	787,222	26,912,902	141,016	18	329,494	1	778,121	27,442,861	141,614	18	288,086	1
Rural Development Insur. Fund												
Community Facilities Loans:												
Water and Waste............	7,907	4,038,502	91	1	8,502	0	6,568	2,852,341	69	1	8,341	0
Other Community Facilities	1,843	1,000,378	30	2	3,931	0	1,700	833,994	30	2	4,210	0
Insured Business and Industry Loans..........	25	36,915	6	24	1,683	5	23	89,216	5	22	845	1
Total, RDIF......	9,775	5,075,795	135	1	14,116	0	8,291	3,785,551	104	1	13,396	0
Community Service Adminis. 3/												
Economic Opportunity Loans:												
Individual................	214	316	191	89	301	95	108	160	95	88	151	94
Cooperative...............	38	2,669	17	45	1,298	49	25	2,273	8	32	1,125	49
Total, CSA.......	252	2,985	208	83	1,599	54	133	2,433	103	77	1,276	52
Total, FmHA......	1,175,319	57,283,244	279,189	24	8,673,903	15	1,134,166	54,963,923	256,306	23	8,314,469	15

1/ Includes non-farm enterprise loans.
2/ Activity for Section 523 Site Loans is part of the Self-Help Land Development Fund.
3/ FmHA is responsible only for servicing on Equal Opportunity Loans, the last of which were made in FY 1974.

Jan 31 14:25 1990

Farmers Home Administration
Summary of Program Levels: FY 1989 - FY 1991
(Dollars in Thousands)

	FY 1989 ACTUAL		FY 1990 CURRENT ESTIMATE		FY 1991 PRESIDENT BUDGET	
	NUMBER	AMOUNT	NUMBER	AMOUNT	NUMBER	AMOUNT
AGRICULTURAL CREDIT INSURANCE FUND						
Direct Farm Ownership Loans	1,172	94,933	950	80,000	440	38,500
Guaranteed Farm Ownership Lns	2,139	305,159	4,850	719,279	970	150,000
Farm Operating Loans	20,517	856,018	21,500	932,500	11,060	500,000
Guaranteed Farm Operating Lns	9,863	879,174	24,980	2,315,985	26,915	2,600,000
Direct Emergency Disaster Lns	2,806	73,493	3,670	100,000	880	25,000
Direct Soil and Water Loans	348	5,499	335	5,500	0	0
Guaranteed Soil and Water Lns	12	440	39	1,480	0	0
Indian Land Acquisition Loans	1	120	2	1,000	0	0
Watershed and Flood Prev.Lns	0	0	1	4,000	0	0
Resource. Conserv and Dev Lns	0	0	1	600	0	0
Interest Buy-Down Program	(2241)	15,376	(6850)	50,000	(6565)	50,000
State Mediation Grants	17	3,000	19	3,456	10	2,000
SUBTOTAL ACIF	36,875	2,233,212	56,347	4,213,800	40,275	3,365,500
ACIF DIRECT LOANS	24,844	1,030,063	26,459	1,123,600	12,380	563,500
ACIF GUARANTEED LOANS	12,014	1,184,773	29,869	3,036,744	27,885	2,750,000
OTHER ACIF PROGRAMS	17	18,376	19	53,456	10	52,000
RURAL HOUSING INSURANCE FUND						
Sec 502 Dir Single Fam Housing	35,452	1,266,863	36,610	1,310,804	20,760	609,000
Sec 502 Guar Single Fam Hous	0	0	0	0	13,130	594,000
Sec 515 Dir Multi-Fam Housing	759	554,934	750	571,870	600	391,000
Sec 504 Housing Repair Loans	3,437	11,307	3,260	11,173	3,140	11,100
Sec 514 Farm Labor Hsg Loans	70	11,446	66	11,321	100	16,250
Sec 524 RH Site Dev Loans	1	428	2	562	0	0
Sec 521 Rental Assistance	2,090	275,302	2,190	296,317	1,910	258,000
Sec 502 Rental Assistance	1	88	50	5,000	110	11,800
SUBTOTAL RHIF	41,810	2,120,368	42,928	2,207,047	39,750	1,891,150
RHIF DIRECT LOANS	39,719	1,844,978	40,688	1,905,730	24,600	1,027,350
RHIF GUARANTEED LOANS	0	0	0	0	13,130	594,000
OTHER RHIF PROGRAMS	2,091	275,390	2,240	301,317	2,020	269,800
HOUSING SUPPORT PROGRAMS						
Sec 516 Farm Labor Hsg Grants	11	9,734	14	12,937	11	10,000
Sec 504 Housing Repair Grants	3,684	12,500	3,542	12,500	2,720	10,000
Sec 523 Mutual S/H Hsg Grants	35	10,200	48	15,493	0	0
Sec 509 Construction Defects	69	314	145	686	0	0
Sec 523 Self-Hous Land Dev Lns	1	500	1	500	0	0
Sec 533 Hous Preservation Gts	158	19,140	152	19,140	114	15,000
Housing Vouchers-RRAP Units	0	0	0	0	75	189,928
SUBTOTAL HOUSING SUPPORT	3,958	52,388	3,902	61,256	2,920	224,928
RURAL DEVELOPMENT INSURANCE FUND						
Direct Water and Waste Loans	679	332,880	694	350,293	576	300,000
Guar Water and Waste Loans	0	0	124	74,465	81	50,000
Dir Community Facility Loans	304	95,700	291	94,381	136	45,700
Guar Community Facility Loans	0	0	48	23,829	97	50,000
Guaranteed B&I Loans	88	95,677	85	95,018	0	0
Guar B&I Drought/Disaster Lns	12	3,445	82	70,000	80	70,000
SUBTOTAL RDIF	1,083	527,702	1,324	707,986	970	515,700
RDIF DIRECT LOANS	983	428,580	985	444,674	712	345,700
RDIF GUARANTEED LOANS	100	99,122	339	263,312	258	170,000
OTHER RDIF PROGRAMS	0	0	0	0	0	0
RURAL DEVELOPMENT LOAN FUND						
Intermediary Relending Loans	13	13,628	18	19,297	27	30,000
SUBTOTAL RDLF	13	13,628	18	19,297	27	30,000
RURAL DEVELOPMENT GRANT PROGRAMS						
Water and Waste Grants	344	122,699	569	208,970	264	100,000
Rural Development Grants	36	6,500	35	16,406	0	0
SUBTOTAL RD GRANTS	380	129,199	604	225,376	264	100,000
TOTAL FmHA PROGRAMS	84,119	5,076,497	105,123	7,434,762	84,206	6,127,278

FARMERS HOME ADMINISTRATION

The 1991 Budget Estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Rural Housing Insurance Fund

From funds in the Rural Housing Insurance Fund, and for insured loans as
authorized by title V of the Housing Act of 1949, as amended,
⌊$1,932,490,000⌋ $1,027,350,000, of which not less than ⌊$1,881,920,000⌋
$1,007,350,000 shall be for subsidized interest loans to low-income
borrowers, as determined by the Secretary, and for subsequent loans to
existing borrowers or to purchasers under assumption agreements or credit
sales, and for loans to finance sales or transfers to nonprofit
organizations or public agencies of not more than ⌊5,000⌋ 3,000 rental
units related to prepayment; and not to exceed $10,000,000 to enter into
collection and servicing contracts pursuant to the provisions of section
1 3(f)(3) of the Federal Claims Act of 1966 (31 U.S.C. 3718). During fiscal
year 1991, commitments to guarantee loans may be made only to the extent
that the total loan principal, any part of which is to be guaranteed, shall
not exceed $594,000,000. Further, $362,460,000 is appropriated from the
general fund solely for the purpose of reducing the interest rate, by no
more than an average of 5 percent, on guarantees totaling $297,000,000. No
other funds may be added to this amount for the purpose of reducing
interest rates.

For rental assistance agreements entered into or renewed pursuant to the
authority under section 521(a)(2) of the Housing Act of 1949, as amended,
total new obligations shall not exceed ⌊$300,310,000⌋ $258,000,000, to be
added to and merged with the authority provided for this purpose in prior
fiscal years: Provided, That of this amount not less than ⌊$124,918,000⌋
$93,900,000 is available for newly constructed units financed by section
515 of the Housing Act of 1949, as amended, and not more than ⌊$5,082,000⌋
$5,100,000 is for newly constructed units financed under sections 514 and
516 of the Housing Act of 1949: Provided further, That ⌊$170,310,000⌋
$159,000,000 is available for expiring agreements and for servicing of
existing units without agreements: Provided further, That agreements
2 entered into or renewed during fiscal year ⌊1990⌋ 1991 shall be funded for
a five-year period, although the life of any such agreement may be extended
3 to fully utilize amounts obligated⌊: Provided further, That agreements
entered into or renewed during fiscal years 1986, 1987, 1988, and 1989, may
also be extended beyond five years to fully utilize amounts obligated⌋.

For an additional amount to reimburse the Rural Housing Insurance Fund for interest subsidies and losses sustained in prior years, but not previously reimbursed, in carrying out the provisions of title V of the Housing Act of 1949, as amended (42 U.S.C. 1483, 1487(e), and 1490a(c)), including ⌊$1,317,000⌋ $40,000 as authorized by section 521(c) of the Act, also including not to exceed ⌊$5,000,000⌋ $11,800,000 for debt forgiveness or payments for eligible households as authorized by section 502(c)(5)(D) of the Act, and not to exceed $10,000 per project for advances to nonprofit organizations or public agencies to cover direct costs (other than purchase price) incurred in purchasing projects pursuant to section 502(c)(5)(C) of the Act; ⌊$2,677,897,000⌋ $2,667,186,000. For an additional amount as authorized by section 521(c) of the Act, such sums as may be necessary to reimburse the fund to carry out a rental assistance program under section 521(a)(2) of the Housing Act of 1949, as amended.

The first change adds new language to provide not to exceed $594 million of guaranteed loans in addition to the insured loans authorized. Of the $594 million, one-half ($297 million) may be subsidized by interest subsidy payments to lenders to lower borrower payments. The language sets a maximum limit on the average subsidy rate (5 percent) on the total guaranteed loans subsidized. It also provides new appropriation language to appropriate $362,460,000 solely to cover the maximum lifetime cost of the interest subsidies associated with subsidized guaranteed loans obligated in FY 1991.

The second change updates the fiscal year reference of 1990 to 1991 in the appropriation language authorizing rental assistance agreements to be for a 5-year period.

The third change deletes outdated language that at one time was required to specifically enable rental assistance contracts obligated in certain fiscal years to be extended beyond five years to fully utilize amounts obligated. The fiscal year 1987 Appropriation Act and subsequent Appropriation Acts have contained sufficient language to enable the Agency to extend all five year rental assistance contracts beyond five years if required, so the language proposed for deletion is no longer needed.

Rural Housing Insurance Fund

(a) On Basis of Program Levels

Program Levels, 1990		$2,237,800,000
Program Levels, 1991		1,891,150,000
Decrease in Program Levels		-346,650,000
Adjustment in 1990		
Appropriation Act, 1990	$2,237,800,000	
Gramm-Rudman-Hollings Reduction (P.L. 99-177)	-30,753,000	
Adjusted base for 1990		2,207,047,000
Budget estimate, 1991		1,891,150,000
Decrease from adjusted 1990		-315,897,000

SUMMARY OF INCREASES AND DECREASES
(On basis of program levels)
(Dollars in millions)

Item of Change	1990 Authorized	Program Changes	1991 Estimated
Low-Income Housing Assistance:			
Subsidized Interest Rate Loans:			
Repair loans (sec. 504)	$ 11.2	-$ .1	$ 11.1
General purpose loans (sec. 502)	1,246.8	-669.8	577.0
Guaranteed general purpose loans (sec.502)	--	+297.0	297.0
Domestic farm labor housing loans (sec. 514)	11.3	+4.9	16.3
Rental or cooperative loans (sec. 515)	571.9	-180.9	391.0
Subtotal, Low-Income Housing Loan Assistance	1,841.2	-548.8	1,292.4
Non-subsidized Housing Loan Assistance:			
Guaranteed general purpose loans (sec.502)	--	+297.0	297.0
Loans for servicing the existing portfolio and special hardship	14.0	-2.0	12.0
Low-income non-interest credit	50.0	-30.0	20.0
Site loans (sec. 524)	0.6	-.6	--
Subtotal, Moderate-Income Housing Loan Assistance	64.6	+264.4	329.0
TOTAL LOAN ASSISTANCE	1,905.7	-284.4	1,621.4
Rural Rental Assistance:			
Rental assistance payments (sec. 521)	296.3	-38.3	258.0
Rental assistance payments in lieu of debt forgiveness (sec. 502(c)(5)(D))	5.0	+6.8	11.8
TOTAL RURAL RENTAL ASSISTANCE	301.3	-31.5	269.8
TOTAL PROGRAM LEVELS	2,207.0	-315.9	1,891.2

RURAL HOUSING INSURANCE FUND

PROJECT STATEMENT
(On the basis of program levels)
(Dollars in millions)

Project	1989 Actual No. of Units	1989 Actual Amount	1990 Estimated No. of Units	1990 Estimated Amount	Increase or Decrease	1991 Estimated No. of Units	1991 Estimated Amount
Low-Income Housing Assistance:							
Subsidized Interest Rate Loans:							
Repair loans (sec. 504)	3,041	$ 11.3	2,860	$ 11.2	-$ .1(1)	2,750	$ 11.1
General purpose loans (sec. 502)	24,788	1,245.7	23,830	1,246.8	-669.8(2)	10,100	577.0
Guaranteed general purpose loans (sec. 502)	--	--	--	--	+297.0(3)	6,460	297.0
Domestic farm labor housing loans (sec. 514)	404	11.4	445	11.3	+4.9(4)	465	16.3
Rental or cooperative loans (sec. 515)	15,996	554.9	15,860	571.9	-180.9(5)	10,950	391.0
Non-Subsidized Interest Rate Loans:							
Guaranteed general purpose loans (sec. 502)	--	--	--	--	+297.0(3)	6,670	297.0
Loans for servicing existing portfolio (sec. 502)	--	8.1	--	14.0	-2.0(2)	--	12.0
Low-income non-interest credit (sec. 502)	476	13.0	1,750	50.0	-30.0(2)	670	20.0
Site loans (sec. 524) a/	--	.4	--	0.6	-0.6(6)	--	--
TOTAL LOAN ASSISTANCE	44,705	1,844.9	44,745	1,905.7	-284.4	38,065	1,621.4
Rural Rental Assistance:							
Rural rental assistance payments (sec. 521)	14,875	275.3	15,211	296.3	-38.3(7)	13,947	258.0
Rental assistance in lieu of debt forgiveness (sec. 502(c)(5)(D))	8	.1	452	5.0	+6.8(8)	1,035	11.8
TOTAL RURAL RENTAL ASSISTANCE ASSISTANCE	14,883	275.4	15,663	301.3	-31.5	14,982	269.8
TOTAL PROGRAM LEVELS	59,588	2,120.3	60,108	2,207.0	-315.9	53,047	1,891.2
Gramm-Rudman-Hollings Reduction	--	--	843	30.8			
TOTAL PROGRAM LEVELS	59,588	2,120.3	61,251	2,237.8			

Staff years are reflected in the Salaries and Expense Project Statement.

a/ Site loans do not produce units of housing.

EXPLANATION OF PROGRAM

The Rural Housing Insurance Fund (RHIF) was established under the authority contained in section 1003(a) of the Housing and Urban Development Act of 1965 (Public Law 89-117), approved August 10, 1965. Public Law 89-117 authorized an appropriation of such sums as may be necessary for the purposes of the fund. An Appropriation of $100,000,000 was provided by the Supplemental Appropriation Act, 1966, (Public Law 89-309), to capitalize the fund for future operations.

Public Law 89-117 transferred authorities for making insured farm labor housing loans and insured rural rental or cooperative housing loans from the Agricultural Credit Insurance Fund to the Rural Housing Insurance Fund. Public Law 90-448, approved August 1, 1968, authorized interest credits to the accounts of certain qualified borrowers. Public Law 91-152, approved December 24, 1969, transferred the assets, liabilities, and authorizations of the Rural housing direct loan account to the Rural Housing Insurance Fund. Public Law 91-609, approved December 31, 1970, made a number of changes in the loan and grant programs for farm labor housing.

The Housing and Community Development Act of 1974, Public Law 93-383, approved August 22, 1974, provides that loans may be made in areas with a population in excess of 10,000 but less than 20,000 if such an area is not included within a standard metropolitan statistical area and has a serious lack of mortgage credit as determined by the Secretary of Agriculture and the Secretary of Housing and Urban Development. This authority was amended by Public Law 94-375, approved August 3, 1976, to specify that there must be a serious lack of mortgage credit for low and moderate income families. The Housing and Community Development Act of 1974 also established a rural rental assistance program to be administered by Farmers Home Administration through the Rural Housing Insurance Fund. The Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, provided for numerous changes in FmHA's rural housing authorities. The most significant were: changes made to the guaranteed housing program authorities to make the program more attractive to local lenders; provision for payments from the RHIF to borrowers for compensation for correction of construction defects, claims resulting from such defects, or the acquisition of title to the property, where a newly constructed unit purchased with financial assistance from FmHA is found by the Secretary to have structural defects; and provision for FmHA-held acquired property to be subject to taxation by State and local political subdivisions in the same manner and to the same extent as other property is taxed.

The Supplemental Appropriations Act for the fiscal year ending September 30, 1984, and for other purposes, (also known as the "Housing and Urban-Rural Recovery Act of 1983") Public Law 98-181, approved November 30, 1983, provided for numerous changes in FmHA's rural housing programs. The most significant were to: target and give priority to very low-income persons in making housing assistance available in rural areas; adopt HUD income limits, eligibility criteria and definitions of adjusted income; make single or multi-family loans for manufactured housing units and authorize up to $10 million for innovative demonstrations of housing and building systems that differ from FmHA minimum property standards; permit rental housing projects on scattered sites; limit rent increases; require certain priorities regarding occupancy for rental assistance payments; and emphasize housing of modest size, design and cost. Also, Section 533 was added to provide Housing Preservation Grants for rehabilitation purposes.

The Housing and Community Development Technical Amendments Act of 1984, Public Law 98-479, approved October 17, 1984 made additional technical changes to the Housing programs as a result of the previously passed Housing and Urban-Rural Recovery Act of 1983. The most significant changes were: to remove references to the Secretary of Housing and Urban Development in establishing low and very low family income levels; to require a nationwide minimum of 40 percent of Section 502 funding to be set aside for very low-income families and to establish a minimum of 30 percent of those funds to be allocated to each state for very low-income families; to restrict the interchange funding authority of the Secretary; and to establish new priorities for the rental assistance program including extension of expiring contracts.

The Housing and Community Development Act of 1987 provides further enhancements to FmHA's existing housing programs. A high priority in the law is the requirement for FmHA to provide a series of incentives and options in dealing with prepayment of pre-1979 rural rental housing loans to stem the potential loss of rental units from government subsidy and to maintain their availability for low-income families. In addition, this Act gives FmHA the authority to use area or statewide median income rather than a lower county median income if program eligibility would be widened by such application in qualifying applicants or tenants for housing assistance, permits the Agency to continue assistance to borrowers with above moderate income when necessary to the well-being of the family, provides FmHA additional servicing options by mandating the Agency to escrow taxes and insurance, permits the cost of applying for housing assistance to be part of the loan, changes the equity contribution for Section 515 rural rental housing from 5% to 3%, and prohibits the charging of processing and transfer fees in the Section 515 program.

Rural housing building and repair loans (Section 502 of the Housing Act of 1949, as amended) - Loans are made to enable eligible low income applicants to purchase, construct, improve, alter, repair or replace dwellings in rural areas, if their need for necessary housing cannot be met with financial assistance from other sources. Not less than 40 percent of the funding authorized nationally shall be set aside and not less than 30 percent in each state will be available for very low-income families. These loans bear a note rate based on the cost-of-money to the Treasury with provisions for interest credit which may reduce the interest rate to as low as 1 percent under certain circumstances. Such loans may not exceed amounts necessary to provide adequate housing, modest in size, design, and cost.

Building loans are made to farm owners, owners of other real estate in rural areas, others who are or will become rural residents, and long-term leaseholders. These loans are generally repayable in not more than 33 years; however, persons whose incomes do not exceed 60 percent of the median income for the area, could receive loans with maturities of up to 38 years.

Rural housing very low-income repair loans (Section 504 of the Housing Act of 1949, as amended) - Loans are authorized to be made to very low-income individuals and families to repair or rehabilitate their dwellings. The loans are made at 1 percent for a term of not more than 20 years and presently have a maximum loan amount of $15,000.

Rural rental and cooperative building loans (Section 515 of the Housing Act of 1949, as amended) - Loans are authorized to be made to individuals, corporations, Indian tribes, associations, public bodies, trusts, or partnerships to provide moderate cost rental or cooperative housing and related facilities for elderly or handicapped persons or families and other persons of low, very low, and moderate income in rural areas. Priority for rural rental housing loans is for applicants proposing to serve low and very low-income families and persons in most rural areas. These loans are repayable in not more than 50 years and currently bear a note rate based on the cost-of-money to the Treasury with provision for interest credits to benefit tenants by reducing the interest rate to as low as 1 percent under certain circumstances. These loans are made only if the need for necessary housing cannot be met with financial assistance from other sources except in the case of public bodies. The Farmers Home Administration has in the past made its rural rental housing loans in conjunction with the Department of Housing and Urban Development's Section 8 rent subsidy program. Loans made for units that have received Section 8 assistance bear an interest rate that is reduced either 1 percent or 2 percent below the unsubsidized rate, depending upon the circumstances of the individual project.

Rural housing site loans (Section 524 of the Housing Act of 1949, as amended) - Loans are made for the purchase and development of land to be subdivided into building sites for low to moderate income housing borrowers and rural rental and cooperative housing borrowers. Loans are made at a note rate based on the cost-of-money to the Treasury, and are repayable in 2 years.

Farm labor housing loans (Section 514 of the Housing Act of 1949, as amended) - Loans are authorized to be made to a farm owner, to certain public or broad-based private nonprofit organizations, public bodies, or to a nonprofit organization of farmworkers to provide modest living quarters, basic household furnishings, and related facilities, including land necessary for an adequate site, for domestic farm labor. Loans will be made based on a determination of need considering housing needs of domestic farm labor, including migrant farmworkers in the area without regard to other housing needs in the area. These loans are repayable in not more than 33 years and bear interest not in excess of 1 percent, except under certain circumstances. Loans/to organizations may be made simultaneously with farm labor housing grants which are discussed elsewhere in these justifications.

Rural rental assistance payments (Section 521 of the Housing Act of 1949, as amended - Rural rental assistance payments are authorized to be made to owners of FmHA financed rural rental or cooperative housing or domestic farm labor housing facilities in order that low-income tenants will contribute no more than the higher of (1) 30 percent of monthly adjusted income, (2) 10 percent of monthly income, or (3) designated housing payments from a welfare agency. The program is administered in tandem with FmHA section 515 rural rental and cooperative housing programs, or the farm labor loan and grant programs. For FY 1989, Congress authorized and appropriated assistance under section 502(c)(5)(D) for debt forgiveness or payments for eligible households to subsidize tenant rents in projects purchased by eligible nonprofit organizations or public agencies to prevent diversion of low-income rental housing by virtue of section 515 loan prepayment. The agency plans to use the subsidy payment mechanism of the rental assistance program to accomplish this mandate.

JUSTIFICATION OF INCREASES AND DECREASES

The President's Budget proposes to support about the same number of housing units in 1991 as in 1990. FmHA is proposing implementation of a guaranteed section 502 loan program, and a rural housing voucher program based on the same payment standards and regulations set by the Department of Housing and Urban Development for its Section 8 voucher program. The 1991 Budget includes a major new initiative, a guaranteed interest subsidy program, under which the Agency proposes to subsidize one-half of the guaranteed section 502 loan program with interest subsidy payments to lenders to the benefit of low-income borrowers. The interest subsidy payments will be based on borrower income and will allow the monthly payments for modest housing to be affordable by eligible low-income borrowers. The nonsubsidized guaranteed loans will be available for applicants of moderate income (up to 100% of median income). This program is discussed in greater detail under section (b). The Budget includes elsewhere the rural housing voucher program at $189,928,000 for funding an estimated 6,000 units or families for a 5-year term. The changes in RHIF program levels consist of:

(1) A decrease of $73,000 for section 504 very low-income housing repair loans ($11,173,000 available in FY 1990).

Need for Change. The budget proposes only a modest decrease from the fiscal year 1990 enacted level after sequester. In proposing continued funding at essentially the same level as fiscal year 1990, the Administration recognizes the continuing need for repair and rehabilitation assistance for very low-income rural residents living in substandard housing units having health and safety problems threatening the family or community. The Administration believes the modest decrease in program level would have a minimal effect on the Agency's ability to provide assistance under the section 504 loan program. Families eligible to be assisted under this program will also be eligible for assistance under the rural housing voucher program if they are willing to leave their substandard units, and suitable rental housing was available in the area.

Nature of Change. Proposed only a nominal reduction in section 504 lending. The amount requested will provide assistance to an estimated 2,750 units through 3,140 section 504 loans.

(2) A decrease of $701,804,000 for direct section 502 low-to-moderate income rural housing loans to individuals ($1,310,804,000 available in FY 1990).

Need for Change. The budget proposes to reduce direct section 502 low-to-moderate income rural housing loans with compensating increases in a new guaranteed loan program. The Agency expects that its new mix of services will continue to serve its traditional rural borrowers.

Nature of Change. The program level will provide an estimated 20,760 direct section 502 housing loans in fiscal year 1991.

(3) An increase of $594,000,000 for guaranteed section 502 program (zero available in 1990).

Need for Change. The Agency will make use of the guaranteed section 502 program (with a subsidy payment mechanism for one half of the program level) in lieu of a portion of the direct section 502 program. This proposal facilitates utilization of private sector credit resources. The shift toward guaranteed lending will utilize private sector loan making and servicing resources and private sector funding, thereby reducing Federal outlays and administrative burdens, while allowing FmHA staff resources to focus on the servicing requirements of its delinquent direct loan caseload.

Nature of Change. The program level will provide an estimated 6,460 subsidized and 6,670 unsubsidized guaranteed loans in fiscal year 1991.

(4) An increase of $4,929,000 for section 514 domestic farm labor housing loans ($11,321,000 available in FY 1990).

Need for Change. The Administration proposes to substantially increase housing assistance through the section 514 domestic farm labor housing loan program. The increase will enable FmHA to expand its loan program to provide suitable housing and related facilities for domestic farm labor through the building of new structures or the rehabilitation of existing structures. The Administration recognizes that there is a great need for adequate and suitable housing for both migrant and year-round farm laborers. The increase in program level demonstrates higher national concern and increased support for the health and welfare of our farm laborers, who are so important to the nation's agricultural processing. The section 514/516 loan and grant programs are the only national programs to support the farm laborer in obtaining adequate housing.

Nature of Change. The program level increase will enable FmHA to expand its loan program to provide assistance to an estimated 465 units through 100 section 514 loans (plus related section 516 grants). The increase will more than offset the reduction in the section 516 domestic farm labor housing grant program.

(5) A decrease of $180,870,000 for section 515 rental or cooperative housing loans ($571,870,000 available in FY 1990).

Need for Change. The Administration recognizes the need to continue financial assistance through the section 515 rental or cooperative housing loan program. A greater preference will be given to projects in more remote rural areas. Funding priority will be given for areas with high levels of unsuitable housing and very low incomes, and areas which have not previously participated fully in this program. In addition, the budget proposes to provide housing assistance through a rural housing voucher program. Families eligible to be assisted under the section 515 loan program will be eligible for assistance under the rural housing voucher program as well. Vouchers will provide assistance more efficiently and will offer a greater choice of housing and location to program recipients. Vouchers will be used primarily in areas which have an adequate supply of housing. This proposal will maintain a moderate level of funding for rural areas that have a significant lack of available rental housing stock.

Nature of Change. A program level of $391,000,000 is requested in FY 1991 to be targeted to rural areas experiencing significant shortages of rental housing. The amount requested will provide assistance to an estimated 10,950 units through 600 subsidized section 515 loans.

(6) A decrease of $562,000 for section 524 site loans ($562,000 available in FY 1990).

Need for Change. Historically this program has been utilized sporadically and at minimal levels. Little impact will result from non-funding.

Nature of Change. The budget proposes termination of the program.

(7) A decrease of $38,317,000 for rural rental assistance payments ($296,317,000 available in FY 1990).

Need for Change. The Administration believes that the requested program reduction would have a minimal impact on the Agency's ability to provide rural rental assistance payments for low or very low-income families while still helping to reduce the Federal outlays. Program level requested will satisfy anticipated rental assistance contract renewal requirements, provide an adequate coverage of new construction rental assistance needs, plus reserve a modest number of units for the servicing needs arising from distressed projects or rent-overburdened tenants. Families eligible to be assisted under the rural rental assistance program will be eligible under the rural housing voucher program as well. Vouchers will provide housing assistance more efficiently and will offer a greater choice of housing and location to program recipients.

Nature of Change. Proposed a reduction in rural rental assistance payments in fiscal year 1991. The program level will provide assistance to an estimated 22,197 units.

(8) An increase of $6,800,000 for rental assistance in lieu of debt forgiveness ($5,000,000 available in FY 1990).

Need for Change. The Administration proposes to continue providing rental assistance through the section 502(c)(5)(D) rental assistance program in the form of monthly payments (in lieu of forgiveness of debt) to ensure that low and very low-income families are not adversely impacted by the sale (at market value) of existing projects to participating nonprofit housing organizations. The ultimate demand for this rental assistance is unknown at this time. The program level requested will assure that more than adequate funding (based on demonstrated demand to date) is available for this program which is considered a high priority by the Agency.

Nature of Change. The increase in program level will enable FmHA to expand this rental assistance program to provide assistance to an estimated 1,035 units.

(b) Appropriation for Interest Subsidies for Guaranteed Loans

Appropriation Act, 1990	--
Budget Estimate, 1991	$362,460,000
Increase in Appropriation	+362,460,000

PROJECT STATEMENT
(On basis of appropriation)
(In thousands of dollars)

Project	1989 Actual	1990 Estimated	Increase	1991 Estimated
Appropriation for Interest Subsidies:				
General purpose loans..	--	--	+$362,460	$362,460
Total Appropriation........	--	--	+362,460	362,460

EXPLANATION OF PROGRAM

It is the policy of the Farmers Home Administration to move its rural credit functions from direct lending to guaranteed lending. Increasing the role of the private sector will enable the Agency to devote more of its resources to working on public policy initiatives such as counseling and graduation and to more effectively manage its outstanding portfolio. The Economic Research Service has indicated rural lenders have adequate reserves for increased lending in 1990 and 1991. Accordingly, more banks will be able to participate in our guaranteed loan program. However, the private sector needs an incentive to participate, and we believe this proposed program would provide that incentive.

Under this proposed program, interest subsidy payments would be made to guaranteed lenders to assist low-income borrowers who would not be able to pay private sector rates without financial assistance. The interest subsidy will range from 3 to 8.5 percent, but will average no more than 5 percent on $297 million of Section 502 single-family subsidized loans. The amount of interest rate reduction would be tailored to individual borrowers' ability to repay the loan.

The Budget requests a FY 1991 appropriation sufficient to finance the full potential costs of these interest subsidies. To assure adequate financing, the projection necessarily assumes that all loans will be carried their full term and that the interest subsidy level will remain constant throughout the life of the loan. However, subsidy amounts will be reevaluated each year in terms of the borrower's income and other factors. It is therefore possible that subsidies may be reduced or that loans may be repaid ahead of schedule. In these circumstances Federal costs would, in fact, be reduced.

This approach of recognizing maximum potential loss to the fund in future years is in contrast to similar loan subsidy costs of direct loans which are recognized each year they actually occur and are then requested in an appropriation to reimburse the fund two years later. While the budgetary treatment for appropriations is different, the aggregate cost to the Federal government for the same amount of subsidy is expected to be similar for both types of loans. The amount of subsidy will, however, vary with the interest rate on the loan and the rate the borrower can afford to pay. It should also be noted that there are significant outlay savings in the year the loans are guaranteed compared to making a direct loan because the loan principal amounts will be provided by the private sector rather than the Federal government.

JUSTIFICATION OF INCREASE

(1) An increase of $362,460,000 for maximum lifetime subsidy costs on subsidized guaranteed loans obligated in 1991 (zero available in 1990).

Need for Change. Guaranteed section 502 loans enable rural borrowers to obtain credit, but may not be of use to many low-income borrowers traditionally served by FmHA since these borrowers have limited incomes to cover monthly housing payments. If guarantees are to be used by low-income families, the Agency must subsidize the interest rate to the point at which monthly payments can be paid from household income.

Nature of Change. The $362,460,000 appropriation requested will provide the lifetime subsidy cost for $297 million of the subsidized guaranteed loans obligated in FY 1991. No additional funds will be sought to reimburse the fund for the costs of the subsidy program.

(c) Reimbursement for Interest Subsidies and Losses

Appropriation Act, 1990..	$2,890,365,000 1/
Budget Estimate, 1991..	2,920,682,000 2/
Decrease in Appropriation..	+30,317,000

1/ Includes reimbursement for estimated payments made under the rural rental assistance program in the amount of $212,468,000.

2/ Includes reimbursements for estimated payments to be made under the rural rental assistance program in amount of $253,496,000.

PROJECT STATEMENT
(On basis of appropriation)
(In thousands of dollars)

Project	1989 Actual	1990 Actual	Increase or Decrease	1991 Estimated
Reimbursement for Interest Subsidies and Losses:				
General purpose loans...	$1,899,734	$1,761,801	-$29,785	$1,732,016
Rental or cooperative loans..................	715,406	898,507	+18,750	917,257
Domestic farm labor loans..................	16,156	16,356	+1,155	17,511
Site loans..............	47	1,233	-831	402
Sale of loan assets.....	1,028,718	--	--	--
Subtotal, subsidies and losses................	3,660,061	2,677,897	-10,711(1)	2,667,186
Rural rental assistance payments.............	177,357	212,468	+41,028(2)	253,496
Total Appropriations........	3,837,418	2,890,365	+30,317	2,920,682

EXPLANATION OF PROGRAM

This appropriation is proposed to reimburse the Rural Housing Insurance Fund for funded interest subsidies and losses incurred in fiscal year 1989 and rental assistance payments estimated to be made in fiscal year 1991. Section 521(c)(1) of the Housing Act of 1949, as amended, authorizes annual appropriations to the Rural Housing Insurance Fund of the amounts by which interest payments made from the fund to investors in insured loans exceed the interest due from borrowers. In addition, section 517(e) of the Act authorizes appropriations to restore all other losses to the fund. The amount requested is exclusive of provision for future losses and unfunded costs.

JUSTIFICATION OF INCREASE AND DECREASE

(1) A decrease of $10,711,000 for reimbursement of interest subsidies and other losses incurred in 1989 ($2,677,897,000 in interest subsidies and losses incurred in 1988).

Need for Change. A decrease of $10,711,000 for reimbursement for interest subsidies and losses is due to several factors. This modest net decrease represents many offsetting increases and decreases in income and expense items for the fund which held the net loss of the fund at essentially the same level as the prior year (minus .4 percent) despite the direct loan portfolio increasing by over 2.8 percent. Principal items that increased the reimbursable loss were: the elimination of the nonrecurring gain on redemption of Certificates of Beneficial Ownership, writeoffs, administrative expenses, and other expenses. Principal items that decreased the reimbursable loss were: losses on sale of acquired property, Federal Finance Bank and Treasury interest, interest income, and income and return of investment in subordinated securities.

Nature of Change. The amount requested will reimburse the Rural Housing Insurance Fund for interest subsidies and other losses incurred during FY 1989.

(2) An increase of $41,028,000 for rural rental assistance payments ($212,468,000 estimated in 1990).

Need for Change. The amount requested represents the current estimate of FY 1991 disbursements for rental assistance agreements which were obligated in prior years principally, and to a minor extent FY 1991.

Nature of Change. The increase of $41,028,000 is attributable to additional new incremental units that will receive assistance during FY 1991 from FY 1991 and prior year obligations, the annualization of partial year payments for incremental units added in FY 1990, plus any general inflation to assistance costs for all the units projected to be under rental assistance agreements in FY 1991.

Change in Cash Position of the Fund
(In thousands of dollars)

	1989 Actual	1990 Estimated	1991 Estimated
Cash balance, beginning of year.......	$ 13,958	$ 5,641	$ 22,155
Outlays................................	-3,610,736	-2,913,851	-2,490,643
Funds for financing:			
Appropriation for reimbursement of interest subsidies and losses.....	3,660,061	2,677,897	2,667,186
Appropriation for reimbursement of rental assistance payments.....	177,357	212,468	253,496
Appropriation for guaranteed loan subsidies....................	--	--	362,460
Treasury borrowings..................	4,185,000	2,870,000	3,631,000
Borrowings from FFB..................	1,000,000	1,990,000	--
Repayment of borrowings from Treasury.....................	-4,420,000	-2,830,000	-2,655,000
Repayment of borrowings from FFB....	-1,000,000	-1,990,000	-1,415,000
Net financing.....................	3,602,418	2,930,365	2,844,142
Cash balance, end of year............	5,641	22,155	375,654

Sale of Subordinated Security Investment

In FY 1990, the Agency proposes to sell its investment in subordinated securities that were acquired as part of the proceeds from the FY 1987 securitized loan asset sale. The subordinated securities will be sold without recourse now that the servicing function has been sucessfully transferred to the private sector. Net proceeds are projected to be $390 million.

An analysis by loan program of the accrued operating deficit, exclusive of unfunded losses and rental assistance, is shown in the following table. In accordance with the accounting principles and standards followed by FmHA, this schedule is prepared on an accrual basis.

Rural Housing Insurance Fund

Operating Income and Expense Statement
(In Thousands of Dollars)

	Income			Expense				Net Total
	Interest	Other	Total	Interest	Write-offs	Other	Total	
1989 Actual								
General purpose loans	$1,057,970	$ 62,517	$1,120,487	$2,515,029	$ 70,381	$ 267,093	$2,852,503	-$ 1,732,016
Domestic farm labor loans	1,073	96	1,469	18,210	372	398	18,980	-17,511
Rental or cooperative loans	289,045	2,472	291,217	1,189,069	1,641	17,764	1,208,474	-917,257
Site loans	15	7	22	70	34	320	424	-402
TOTAL	1,348,103	65,092	1,413,195	3,722,378	72,428	285,575	4,080,381	-2,667,186 1/
1990 Estimate								
General purpose loans	1,104,145	79,709	1,183,854	2,433,100	172,750	207,900	2,813,750	-1,629,896
Domestic farm labor loans	1,420	120	1,540	19,130	600	314	20,044	-18,504
Rental or cooperative loans	308,115	3,150	311,265	1,237,970	3,000	14,760	1,255,730	-944,465
Site loans	40	10	50	74	50	250	374	-324
Sale of subordinated security investment	--	224,833	224,833	--	--	--	--	+224,833
TOTAL	1,413,720	307,822	1,721,542	3,690,274	176,400	223,224	4,089,898	-2,368,356 1/
1991 Estimate								
General purpose loans	1,170,890	4,899	1,175,789	2,267,520	143,510	224,274	2,635,304	-1,459,515
Domestic farm labor loans	1,540	110	1,650	20,240	360	350	20,950	-19,300
Rental or cooperative loans	332,900	2,600	335,500	1,235,523	2,500	16,000	1,254,023	-918,523
Site loans	60	10	70	70	--	270	340	-270
TOTAL	1,505,390	7,619	1,513,009	3,523,353	146,370	240,894	3,910,617	-2,397,608 1/

1/ Does not include rural rental assistance payments.

The following schedules present an analysis of outlays by loan program for fiscal years 1989, 1990 and 1991.

RURAL HOUSING INSURANCE FUND

Analysis of Outlays by Loan Program
Fiscal Year 1989
(In thousands of dollars)

	General Purpose Loans	Domestic Farm Labor Loans	Rental or Cooperative Loans	Site Loans	Total
Funds for program operations:					
Funds expended:					
Loans made by the fund	$1,287,669	$10,007	$ 659,332	$428	$1,957,436
Purchase of loans and certificates of beneficial ownership (public)	123,533	892	57,576	3	182,004
Rental assistance payments	--	3,126	174,231	--	177,357
Collections disbursed to investors	5,795	--	--	--	5,795
Interest expense	2,533,156	18,372	1,199,354	71	3,750,953
Interest credits on loans	55	--	--	--	55
Interest credits - loan asset sale	3,890	--	--		3,890
Administrative expense	23,440	170	11,102	--	34,712
Loss settlement, guaranteed loans	360	--	--	--	360
Other	138,026	116	3,151	6	141,299
Total funds expended	4,115,924	32,683	2,104,746	508	6,253,861
Funds received:					
Repayments on loans	1,072,180	5,313	100,033	--	1,177,526
Payments of interest on loans	962,190	1,057	282,022	4	1,245,273
Collections received for investors	5,325	--	--	--	5,325
Insurance premiums and guarantee fees	23	--	--	--	23
Late fees	--	--	48	--	48
Interest income on investments - asset sale	25,504	--	--	--	25,504
Return of investment - asset sale	9,493	--	--	--	9,493
Servicing fee income - asset sale	18,169	--	--	--	18,169
Protective advance fund income and recoveries	1,135	--	--	--	1,135
Other	127,931	628	32,006	64	160,629
Total funds received	2,221,950	6,998	414,109	68	2,643,125
OUTLAYS	1,893,974	25,685	1,690,637	440	3,610,736

RURAL HOUSING INSURANCE FUND

Analysis of Outlays by Loan Program
Fiscal Year 1990
(In thousands of dollars)

	General Purpose Loans	Domestic Farm Labor Loans	Rental or Cooperative Loans	Site Loans	Total
Funds for program operations:					
Funds expended:					
Loans made by the fund	$1,302,000	$16,359	$ 543,449	$192	$1,862,000
Purchase of loans and certificates of of beneficial ownership (public)	1,063	--	491	--	1,554
Rental assistance payments	--	4,068	208,400	--	212,468
Collections disbursed to investors	3,000	--	--	--	3,000
Interest expense	2,433,990	19,300	1,238,802	73	3,692,165
Interest credits on loans	33	--	--	--	33
Interest credits - loan asset sale	5,709	--	--	--	5,709
Administrative expense	35,000	250	16,750	--	52,000
Loss settlement, guaranteed loans	300	--	--	--	300
Other	132,076	110	3,015	10	135,211
Total funds expended	3,913,171	40,087	2,010,907	275	5,964,440
Funds received:					
Repayments on loans	1,126,000	5,800	109,100	100	1,241,000
Payments of interest on loans	1,016,000	1,360	300,600	40	1,318,000
Sale of subordinated securities	390,000	--	--	--	390,000
Collections received for investors	2,000	--	--	--	2,000
Late fees	--	--	500	--	500
Interest income on investments - asset sale	12,200	--	--	--	12,200
Return on investment - asset sale	4,000	--	--	--	4,000
Servicing fee income/residual income - asset sale	63,764	--	--	--	63,764
Protective advance fund income and recoveries	1,100	--	--	--	1,100
Other	14,000	250	3,775	--	18,025
Total funds received	2,629,064	7,410	413,975	140	3,050,589
OUTLAYS	1,284,107	32,677	1,596,932	135	2,913,851

RURAL HOUSING INSURANCE FUND

Analysis of Outlays by Loan Program
Fiscal Year 1991
(In thousands of dollars)

	General Purpose Loans	Domestic Farm Labor Loans	Rental or Cooperative Loans	Site Loans	Total
Funds for program operations:					
Funds expended:					
Loans made by the fund	$ 733,171	$14,564	$ 532,000	$265	$1,280,000
Purchase of loans and certificates of of beneficial ownership (public)	1,200	--	591	--	1,791
Rental assistance payments	--	4,896	248,600	--	253,496
Collections disbursed to investors	1,900	--	--	--	1,900
Interest expense	2,355,000	20,418	1,282,865	80	3,658,363
Interest credits on loans	29	--	--	--	29
Interest credits - loan asset sale	5,571	--	--	--	5,571
Interest subsidy - guaranteed loans	4,228	--	--	--	4,228
Administrative expense	31,400	222	15,078	--	46,700
Loss settlement, guaranteed loans	270	--	--	--	270
Other	133,300	120	3,060	10	136,490
Total funds expended	3,266,069	40,220	2,082,194	355	5,388,838
Funds received:					
Repayments on loans	1,244,000	6,800	123,200	200	1,374,200
Payments of interest on loans	1,125,100	1,500	324,740	60	1,451,400
Collections received for investors	1,800	--	--	--	1,800
Late fees	--	--	500	--	500
Protective advance fund income and recoveries	1,180	--	--	--	1,180
Other	54,300	520	14,295	--	69,115
Total funds received	2,426,380	8,820	462,735	260	2,898,195
OUTLAYS	839,689	31,400	1,619,459	95	2,490,643

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1989 and Estimated 1990 and 1991

Rural Housing Insurance Fund

Very-Low Income Housing Repair Loan Program

	1989 Amount	1990 Amount	1991 Amount
Alabama............	592,960	536,972	531,602
Alaska.............	--	70,000	69,300
Arizona............	54,890	70,000	69,300
Arkansas...........	169,080	152,172	150,650
California.........	134,590	121,131	119,920
Colorado...........	24,930	70,000	69,300
Connecticut........	—	70,000	69,300
Delaware...........	62,090	70,000	69,300
Florida............	98,150	88,335	87,452
Georgia............	161,030	144,927	143,478
Hawaii.............	2,490	70,000	69,300
Idaho..............	17,930	70,000	69,300
Illinois...........	219,380	197,442	195,468
Indiana............	36,980	70,000	69,300
Iowa...............	314,230	282,807	279,979
Kansas.............	66,850	70,000	69,300
Kentucky...........	588,740	529,866	524,567
Louisiana..........	234,210	210,789	208,681
Maine..............	306,470	275,823	273,065
Maryland...........	66,980	70,000	69,300
Massachusetts......	64,540	70,000	69,300
Michigan...........	150,780	135,702	134,345
Minnesota..........	122,200	109,980	108,880
Mississippi........	715,420	647,186	640,714
Missouri...........	331,370	298,233	295,251
Montana............	37,500	70,000	69,300
Nebraska...........	19,770	70,000	69,300
Nevada.............	22,200	70,000	69,300
New Hampshire......	42,280	70,000	69,300
New Jersey.........	50,580	70,000	69,300
New Mexico.........	74,330	70,000	69,300
New York...........	311,930	280,737	277,930
North Carolina.....	619,160	557,244	563,819
North Dakota.......	3,000	70,000	69,300
Ohio...............	169,200	152,280	150,757
Oklahoma...........	80,300	72,270	71,547
Oregon.............	75,950	70,000	69,300
Pennsylvania.......	1,008,700	907,830	910,899
Rhode Island.......	7,350	70,000	69,300
South Carolina.....	330,940	297,846	294,868
South Dakota.......	75,480	70,000	69,300
Tennessee..........	310,990	279,891	277,092
Texas..............	1,053,840	951,764	954,393
Utah...............	19,220	70,000	69,300
Vermont............	64,360	70,000	69,300
Virginia...........	136,920	123,228	112,137
Washington.........	49,220	70,000	69,300
West Virginia......	221,460	199,314	197,321
Wisconsin..........	189,320	170,388	168,684
Wyoming............	—	70,000	69,300
Puerto Rico........	172,240	155,016	153,466
Trust Territories..	1,624,618	1,473,827	1,471,236
Virgin Islands.....	—	70,000	69,300
Total, Available or Estimate.........	11,307,148	11,173,000	11,100,000

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1989 and Estimated 1990 and 1991

Rural Housing Insurance Fund

Low Income Loan Program-Direct Loans

	1989 Amount	1990 Amount	1991 Amount
Alabama............	24,960,830	25,460,047	12,730,023
Alaska.............	2,711,460	2,765,689	1,382,845
Arizona............	16,782,910	17,118,568	8,559,284
Arkansas...........	28,857,140	29,434,283	14,717,141
California.........	60,920,132	65,239,105	32,619,553
Colorado...........	9,356,580	9,543,712	4,771,856
Connecticut........	19,308,990	19,695,170	9,847,585
Delaware...........	3,230,450	3,295,059	1,647,530
Florida............	38,240,990	39,005,810	19,502,905
Georgia............	42,437,540	46,386,861	23,193,431
Hawaii.............	9,462,800	9,652,056	4,826,028
Idaho..............	5,690,560	5,804,371	2,902,186
Illinois...........	28,124,520	28,687,010	14,343,505
Indiana............	24,052,150	24,533,193	12,266,597
Iowa...............	26,156,520	26,679,650	13,339,825
Kansas.............	7,432,320	7,580,966	3,790,483
Kentucky...........	41,335,840	42,162,557	21,081,278
Louisiana..........	21,529,050	21,959,631	9,881,834
Maine..............	33,288,210	33,953,974	15,279,288
Maryland...........	20,520,630	20,931,043	9,418,969
Massachusetts......	33,881,530	34,559,161	15,551,622
Michigan...........	38,015,230	38,775,535	17,448,991
Minnesota..........	19,597,150	19,989,093	8,995,092
Mississippi........	46,530,720	50,561,904	22,752,857
Missouri...........	30,285,220	30,890,924	13,900,916
Montana............	3,907,150	3,985,293	1,793,382
Nebraska...........	7,887,680	8,045,434	3,620,445
Nevada.............	5,206,660	5,310,793	2,389,857
New Hampshire......	20,776,380	21,191,908	9,536,358
New Jersey.........	25,830,390	26,346,998	11,856,149
New Mexico.........	11,110,000	11,332,200	5,099,490
New York...........	34,985,770	35,685,485	16,058,468
North Carolina.....	51,446,340	55,575,837	25,009,127
North Dakota.......	3,207,860	3,272,017	1,472,408
Ohio...............	48,710,760	49,684,975	22,358,239
Oklahoma...........	15,165,610	15,468,922	6,961,015
Oregon.............	19,214,040	19,598,321	8,819,244
Pennsylvania.......	63,171,100	67,535,092	30,390,791
Rhode Island.......	7,397,470	7,545,419	3,395,439
South Carolina.....	42,420,650	43,269,063	19,471,078
South Dakota.......	6,624,440	6,756,929	3,040,618
Tennessee..........	45,428,430	46,336,999	20,851,649
Texas..............	30,719,260	31,333,645	14,100,140
Utah...............	9,084,930	9,266,629	4,169,983
Vermont............	14,982,770	15,282,425	6,877,091
Virginia...........	42,374,440	43,221,929	19,449,868
Washington.........	18,840,680	19,217,494	8,647,872
West Virginia......	20,518,110	20,928,472	9,417,812
Wisconsin..........	27,820,050	28,376,451	12,769,403
Wyoming............	5,009,230	5,109,415	2,299,237
Puerto Rico........	43,045,060	47,006,533	20,138,934
Trust Territories..	6,926,080	7,064,602	3,179,071
Virgin Islands.....	2,342,500	2,389,350	1,075,208
Total, Available or Estimate.........	1,266,863,312	1,310,804,000	609,000,000

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1989 and Estimated 1990 and 1991

Rural Housing Insurance Fund

Low Income Loan Program—Guaranteed Loans

	1989 Amount	1990 Amount	1991 Amount
Alabama............	—	—	11,533,401
Alaska.............	—	—	1,252,857
Arizona............	—	—	7,754,711
Arkansas...........	—	—	13,333,730
California.........	—	—	29,553,315
Colorado...........	—	—	4,323,301
Connecticut........	—	—	8,921,912
Delaware...........	—	—	1,492,662
Florida............	—	—	17,669,632
Georgia............	—	—	21,013,248
Hawaii.............	—	—	4,372,381
Idaho..............	—	—	2,629,380
Illinois...........	—	—	12,995,216
Indiana............	—	—	11,113,536
Iowa...............	—	—	12,085,882
Kansas.............	—	—	3,434,178
Kentucky...........	—	—	19,099,638
Louisiana..........	—	—	9,947,713
Maine..............	—	—	15,381,150
Maryland...........	—	—	9,481,762
Massachusetts......	—	—	15,655,300
Michigan...........	—	—	17,565,317
Minnesota..........	—	—	9,055,059
Mississippi........	—	—	22,904,543
Missouri...........	—	—	13,993,589
Montana............	—	—	1,805,338
Nebraska...........	—	—	3,644,581
Nevada.............	—	—	2,405,789
New Hampshire......	—	—	9,599,934
New Jersey.........	—	—	11,935,190
New Mexico.........	—	—	5,133,487
New York...........	—	—	16,165,525
North Carolina.....	—	—	25,175,854
North Dakota.......	—	—	1,482,224
Ohio...............	—	—	22,507,294
Oklahoma...........	—	—	7,007,422
Oregon.............	—	—	8,878,039
Pennsylvania.......	—	—	30,593,397
Rhode Island.......	—	—	3,418,075
South Carolina.....	—	—	19,600,886
South Dakota.......	—	—	3,060,889
Tennessee..........	—	—	20,990,660
Texas..............	—	—	14,194,141
Utah...............	—	—	4,197,783
Vermont............	—	—	6,922,939
Virginia...........	—	—	19,579,534
Washington.........	—	—	8,705,525
West Virginia......	—	—	9,480,598
Wisconsin..........	—	—	12,854,532
Wyoming............	—	—	2,314,565
Puerto Rico........	—	—	21,499,747
Trust Territories..	—	—	3,200,265
Virgin Islands.....	—	—	1,082,374
Total, Available or Estimate.........	—	—	594,000,000

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1989 and Estimated 1990 and 1991

Rural Housing Insurance Fund

Rural Housing Site Loan Program

	1989 Amount	1990 Amount	1991 Amount
California.........	428,000	—	—
Total, Available or 1/ Estimate.........	428,000	562,000	—

1/ Distribution cannot be determined in advance.

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1989 and Estimated 1990 and 1991

Rural Housing Insurance Fund

Rural Rental Loan Program

	1989 Amount	1990 Amount	1991 Amount
Alabama.............	20,660,110	21,073,312	15,095,926
Alaska..............	1,499,500	1,529,490	1,024,758
Arizona.............	5,052,120	5,153,162	3,452,619
Arkansas............	12,778,090	13,033,652	8,732,547
California..........	33,515,360	33,916,910	23,977,982
Colorado............	4,107,020	4,189,160	2,806,737
Connecticut.........	2,907,390	2,965,538	1,986,910
Delaware............	1,455,000	1,484,100	994,347
Florida.............	20,438,200	20,846,964	13,967,466
Georgia.............	23,021,550	23,213,224	16,806,512
Hawaii..............	7,203,990	7,348,070	4,923,207
Idaho...............	3,721,930	3,796,369	2,543,567
Illinois............	12,600,180	12,852,184	8,610,963
Indiana.............	11,890,550	12,128,361	8,126,002
Iowa................	8,416,000	8,584,320	5,751,494
Kansas..............	5,445,660	5,554,573	3,721,564
Kentucky............	14,222,030	14,506,471	9,719,335
Louisiana...........	13,275,670	13,541,183	9,072,593
Maine...............	11,417,800	11,646,156	7,802,925
Maryland............	6,670,190	6,803,594	4,558,408
Massachusetts.......	8,930,870	9,109,487	6,103,357
Michigan............	21,108,320	21,261,729	15,499,010
Minnesota...........	15,870,360	16,187,767	10,845,804
Mississippi.........	16,974,920	17,314,418	11,600,660
Missouri............	15,414,690	15,722,984	10,534,399
Montana.............	3,869,030	3,946,411	2,644,095
Nebraska............	6,054,910	6,176,008	4,137,925
Nevada..............	2,866,510	5,055,100	3,386,917
New Hampshire.......	4,955,980	5,055,100	3,386,917
New Jersey..........	2,785,000	2,840,700	1,903,269
New Mexico..........	5,369,100	5,476,482	3,669,243
New York............	18,511,810	18,882,046	12,650,971
North Carolina......	33,232,600	33,628,497	23,784,746
North Dakota........	151,400	1,000,000	670,000
Ohio................	16,730,550	17,065,161	11,433,658
Oklahoma............	8,800,460	8,976,469	6,014,234
Oregon..............	7,355,540	7,502,651	5,026,776
Pennsylvania........	18,978,980	19,358,560	14,223,888
Rhode Island........	—	1,000,000	670,000
South Carolina......	21,008,360	21,428,527	14,357,113
South Dakota........	3,174,600	3,238,092	2,169,522
Tennessee...........	20,218,680	20,623,054	13,817,446
Texas...............	19,948,370	20,347,337	13,632,716
Utah................	2,919,650	2,978,043	1,995,289
Vermont.............	3,831,600	3,908,232	2,618,515
Virginia............	15,865,320	16,182,626	10,842,360
Washington..........	7,280,420	7,426,028	4,975,439
West Virginia.......	7,309,260	7,455,445	4,995,148
Wisconsin...........	13,250,620	13,515,632	9,055,474
Wyoming.............	—	1,000,000	670,000
Puerto Rico.........	11,804,530	12,040,621	8,669,247
Trust Territories..	—	1,000,000	670,000
Virgin Islands......	63,600	1,000,000	670,000
Total, Available or Estimate..........	554,934,380	571,870,000	391,000,000

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1989 and Estimated 1990 and 1991

Rural Housing Insurance Fund

Farm Labor Housing Loan Program

	1989 Amount	1990 Amount	1991 Amount
Alabama............	—	180,000	300,000
Arizona............	—	180,000	300,000
Arkansas...........	355,480	266,610	359,924
California.........	4,138,620	3,103,965	4,254,376
Connecticut........	83,000	180,000	300,000
Florida............	1,197,510	898,133	1,212,479
Hawaii.............	361,850	271,388	300,000
Idaho..............	—	180,000	300,000
Louisiana..........	—	180,000	300,000
Maine..............	40,000	180,000	300,000
Maryland...........	—	180,000	300,000
Massachusetts......	—	180,000	300,000
Michigan...........	1,412,510	1,077,276	1,454,323
Mississippi........	136,510	180,000	300,000
Nevada.............	—	180,000	300,000
New Hampshire......	—	180,000	300,000
New Jersey.........	883,000	662,250	894,038
New Mexico.........	—	180,000	300,000
New York...........	1,259,699	944,774	1,275,445
North Carolina.....	245,000	183,750	248,063
Oregon.............	233,020	174,765	235,933
Pennsylvania.......	35,300	180,000	300,000
South Carolina.....	160,000	180,000	300,000
Texas..............	—	180,000	300,000
Vermont............	320,000	240,000	324,000
Virginia...........	—	180,000	300,000
Washington.........	584,120	438,090	591,422
Wisconsin..........	—	180,000	300,000
Total, Available or Estimate..........	11,445,619	11,321,000	16,250,000

Farmers Home Administation
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1989 and Estimated 1990 and 1991

Rural Housing Insurance Fund

Rural Rental Assistance Payments

	1989 Amount	1990 Amount	1991 Amount
Alabama	8,495,143	8,919,900	$8,603,673
Alaska	1,093,653	1,700,000	1,445,000
Arizona	4,529,270	4,755,734	4,042,373
Arkansas	5,070,573	5,324,102	4,525,486
California	12,416,828	12,950,213	12,029,439
Colorado	3,269,912	3,433,408	2,918,396
Connecticut	1,447,157	1,700,000	1,445,000
Delaware	508,162	1,700,000	1,445,000
Florida	7,998,028	8,397,929	7,138,240
Georgia	6,738,670	7,075,604	6,014,263
Hawaii	1,502,392	1,700,000	1,445,000
Idaho	3,634,463	3,816,186	3,243,758
Illinois	8,230,015	8,641,516	7,345,288
Indiana	6,584,012	6,913,213	5,876,231
Iowa	8,881,788	9,325,877	7,926,996
Kansas	3,678,651	3,862,584	3,283,196
Kentucky	5,468,265	5,741,678	4,880,427
Louisiana	6,959,610	7,307,591	6,211,452
Maine	9,047,493	9,499,868	8,074,888
Maryland	2,242,541	2,354,668	2,001,468
Massachusetts	2,441,387	2,563,456	2,178,938
Michigan	9,743,454	10,230,627	8,696,033
Minnesota	7,169,503	7,527,978	6,398,781
Mississippi	10,605,120	11,047,920	10,412,490
Missouri	6,363,072	6,681,226	5,679,042
Montana	2,021,601	2,122,681	1,804,279
Nebraska	2,706,515	2,841,841	2,415,565
Nevada	1,248,311	1,700,000	1,445,000
New Hampshire	2,165,212	2,273,473	1,932,452
New Jersey	1,425,063	1,700,000	1,445,000
New Mexico	3,137,348	3,294,215	2,800,083
New York	4,750,210	4,987,721	4,239,562
North Carolina	14,891,356	15,548,468	14,237,956
North Dakota	2,927,455	3,073,828	2,612,754
Ohio	11,168,517	11,639,488	10,915,414
Oklahoma	4,606,599	4,836,929	4,111,390
Oregon	5,280,466	5,544,489	4,712,816
Pennsylvania	5,656,064	5,938,867	5,048,037
Rhode Island	55,235	1,700,000	1,445,000
South Carolina	9,489,373	9,963,842	9,490,934
South Dakota	3,457,711	3,630,597	3,086,007
Tennessee	7,224,738	7,585,975	6,448,079
Texas	17,200,179	18,060,188	15,351,160
Utah	3,004,784	3,155,023	2,681,770
Vermont	1,005,277	1,700,000	1,445,000
Virginia	5,401,983	5,672,082	4,821,270
Washington	5,446,171	5,718,480	4,860,708
West Virginia	4,330,424	4,546,945	3,864,903
Wisconsin	7,202,644	7,562,776	6,428,360
Wyoming	839,572	1,700,000	1,445,000
Puerto Rico	3,093,160	3,247,818	2,760,645
Trust Territories	—	1,700,000	1,445,000
Virgin Islands	1,447,157	1,700,000	1,445,000
Total, Available or Estimate	275,302,287	296,317,000	258,000,000

Farmers Home Administration
1989 and Estimated 1990 and 1991
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
Rural Housing Insurance Fund

Rental Assistance

	1989 Amount	1990 Amount	1991 Amount
Minnesota..........	88,376	—	—
Total, Available or 1/ Estimate.........	88,376	5,000,000	11,800,000

1/Distribution cannot be determined in advance.

RURAL HOUSING INSURANCE FUND

STATUS OF PROGRAM

The Rural Housing Insurance Fund was established under the authority contained in section 1003(a) of the Housing and Urban Development Act of 1965 (Public Law 89-117) pursuant to section 517 of Title V of the Housing Act of 1949, as amended. This fund may be used to insure or guarantee rural housing loans for single-family homes, rental and cooperative housing, farm labor housing, and rural housing sites. Under current authority, loan programs are limited to rural areas which include towns, villages, and other areas of not more than 10,000 in population, which are not part of an urban area. Loans also may be made in areas with a population in excess of 10,000 but less than 20,000, if the area is not included in a standard metropolitan statistical area and has a serious lack of mortgage credit for low and moderate income borrowers.

Current Activities: In fiscal year 1989, a total of $2,120,316,453 was obligated which provided financing for obligations to low-income, very low-income, and domestic farm labor borrowers to build, repair or refinance 44,595 units. These units provided housing to about 151,000 people. Current program activities under the Rural Housing Insurance Fund are as follows:

-- Section 502 - Subsidized housing loans: These loans are made to very low-income and low-income rural residents to repair or purchase new or existing housing. In fiscal year 1989, FmHA obligated 33,471 loans for a total of $1,245,736,123. These loans provided financing to 24,788 very low-income and low-income families comprised of approximately 84,000 people. In addition, 1,505 non-subsidized loans totalling $8,085,709 were obligated for subsequent loans to existing borrowers or to purchasers under assumption agreements or credit sales, and 476 unsubsidized initial loans for $13,041,480 were made to low and very-low income individuals or families who did not require interest credit assistance by formula while qualifying for loan eligibility.

-- Section 504 - Very low-income repair loans: In fiscal year 1989, FmHA made 3,437 loans for $11,254,479. These loans were made to remove health and safety hazards, insulate or weatherize the dwelling, replace or repair the roof, and install indoor bathrooms, running water and other needed facilities. Initial loans were made to 3,041 families under the program during fiscal year 1989.

-- Section 515 - Rural rental and cooperative housing loans: These loans are made to individuals; partnerships; trusts; cooperatives; public, private and non-profit corporations; and public agencies to build rental apartments for low and very low-income people and senior citizens. In fiscal year 1989, 759 rental housing loans in the amount of $554,934,380 were financed and provided housing for 15,796 families with over a third designed specifically for senior citizens.

-- Section 514 - Farm labor housing loans: In fiscal year 1989, 70 farm labor housing loans were obligated totalling $11,445,619. These loans were made primarily to help provide improved housing for migrant farm workers. When combined with Section 516 grant obligations, 404 units of farm labor housing will be constructed under the fiscal year 1989 program, and 866 units were substantially rehabilitated.

-- Section 524 - Rural housing site loans: These loans are made to develop building sites for very low-income and low-income housing borrowers or rural rental and cooperative housing borrowers. One loan was obligated for this program in fiscal year 1989 in the amount of $428,000.

-- Section 521 - Rural rental assistance program: The rental assistance program is designed to reduce rents paid by very low-income and low-income families living in FmHA financed rural rental and farm labor housing projects. In fiscal year 1989, $275,302,287 was obligated under the revolving fund for rental assistance renewal contracts, servicing needs, and assistance for newly constructed units. The unit breakdown consisted of: 8,641 units for renewal agreements, 9,950 units for new construction rental housing, 96 units for new construction farm labor housing and 6,234 units for projects having servicing needs for rental assistance. In addition FmHA obligated $88,376 for 8 units in one project for rental assistance in lieu of debt forgiveness as authorized by Section 502(c)(5)(D) of the Housing Act of 1949, as amended. Since inception of the program, 212,086 units have been obligated through fiscal year 1989 at a projected cost of $3,253,817,685 under 5-year and 20-year contracts. Unliquidated balances of about $2.1 billion remain for expenditure in future years for such contracts under the RHIF.

The following table reflects the number and amount of obligations for fiscal year 1989:

Obligations
(Dollars in Thousands)

	FY 1989 Actual	
	Number	Amount
Subsidized Housing Loans	33,471	$1,245,736
Unsubsidized Housing Loans	1,981	21,127
Subtotal	35,452	1,266,863
Very Low-Income Repair Loans	3,437	11,307
Rural Rental & Cooperative Housing Loans	759	554,934
Farm Labor Housing Loans	70	11,446
Rural Housing Site Loans	1	428
Rural Rental Assistance Program	2,091	275,390
Total, RHIF	41,810	$2,120,368

FARMERS HOME ADMINISTRATION

The 1991 Budget Estimates include proposed language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Agricultural Credit Insurance Fund:

For direct and guaranteed loans as authorized by 7 U.S.C. 1928-1929, to be
available from funds in the Agricultural Credit Insurance Fund, as follows:
1 farm ownership loans, [$569,000,000] $175,000,000, of which [$13,500,000
shall not become available for obligation until October 1, 1990, (for the
purposes of section 202 of the Balanced Budget and Emergency Deficit
Control Reaffirmation Act of 1987 (Public Law 100-119, September 29, 1987),
to the extent that this action has the effect of transferring an outlay of
the United States from one fiscal year to an adjacent fiscal year, such
transfer is a necessary (but secondary) result of a significant policy
2 change) and $475,500,000] $150,000,000 shall be guaranteed loans and
3 $50,000,000 of such guaranteed loans may be subsidized; [$7,000,000 for
water development, use, and conservation loans, of which $1,500,000 shall
be guaranteed loans;] operating loans, [$3,500,000,000] $3,100,000,000, of
4 which $2,600,000,000 shall be guaranteed loans and $350,000,000 of such
5 guaranteed loans may be subsidized; [Indian tribe land acquisition loans as
6 authorized by 25 U.S.C. 488, $1,000,000;] for direct emergency [insured and
guaranteed] loans, [$600,000,000] $25,000,000 to meet the needs resulting
from natural disasters; and for matching grants authorized by section
502(b) of the Agricultural Credit Act of 1987 (7 U.S.C. 5101-5106),
[$3,500,000] $2,000,000.

For an additional amount to reimburse the Agricultural Credit Insurance
Fund for interest subsidies and losses sustained in prior years, but not
previously reimbursed, in carrying out the provisions of the Consolidated
Farm and Rural Development Act, as amended (7 U.S.C. 1988(a)),
7 [$4,120,159,000] $6,014,356,000. In addition, $33,227,000 is appropriated
from the general fund solely for the purpose of reducing the interest rate,
by no more than an average of 3%, on FY 1991 guarantees totaling
$400,000,000. No other funds may be added to this amount for the purpose
of reducing interest rates. (Rural Development, Agriculture, and Related
Agencies Appropriations Act, 1990.)

The first change deletes language that is no longer necessary. It relates to a one-time transfer that has been completed.

The second change adds this language to indicate the amount of guaranteed farm ownership loans which may be subsidized under the new interest subsidy program.

The third change deletes this language since no programs, direct or guaranteed, are proposed for soil and water loans in fiscal year 1991.

The fourth change adds this language to indicate the amount of guaranteed farm operating loans which may be subsidized under the new interest subsidy program.

The fifth change deletes this language since no program is proposed for Indian tribe land acquisition loans in fiscal year 1991.

The sixth change deletes the language for guaranteed loans and changes the reference from insured to direct loans.

The seventh change adds this language to provide appropriated funds for the maximum expected lifetime interest subsidy cost on subsidized guaranteed loans obligated in fiscal year 1991. The language also sets a limit on the average subsidy rate and on the dollar amount of loans that may be subsidized.

Agricultural Credit Insurance Fund

(a) On Basis of Loan and Grant Levels

Program Loan and Grant Levels, 1990	$4,704,100,000
Program Loan and Grant Levels, 1991	3,315,500,000
Decrease in Loan and Grant Levels	-1,388,600,000

Adjustments in 1990		
Appropriation Act, 1990	$4,671,600,000	
Supplemental Appropriation Act, 1989	+32,500,000	
Total	4,704,100,000	
Gramm-Rudman-Hollings Reduction (P.L. 99-177)	-40,300,000	
Adjusted base for 1990		4,663,800,000
Adjustment in 1991		
Budget estimate, Current Law, 1991	3,302,000,000	
Appropriation Act, 1990	+13,500,000	
Total in 1991		3,315,500,000
Decrease from adjusted 1990		-1,348,300,000

SUMMARY OF INCREASE AND DECREASES
(On basis of loan and grant levels)

Item of Change	1990 Authorized	Program Changes	1991 Estimated
Farm ownership loans:			
Direct	$ 80,000,000	-$ 41,500,000	$ 38,500,000a/
Guaranteed	719,279,000b/	-569,279,000	150,000,000b/
Farm operating loans:			
Direct	932,500,000c/	-432,500,000	500,000,000
Guaranteed	2,315,985,000b/	+284,015,000	2,600,000,000b/
Emergency disaster loans	600,000,000	-575,000,000	25,000,000
Soil and water loans:			
Direct	5,500,000	-5,500,000	--
Guaranteed	1,480,000	-1,480,000	--
Indian tribe land acquisition loans	1,000,000	-1,000,000	--
Watershed protection and flood prevention loans	4,000,000	-4,000,000	--
Resource conservation and development loans	600,000	-600,000	--
State mediation grants	3,456,000	-1,456,000	2,000,000
TOTAL (adjusted)	4,663,800,000	-1,348,300,000	3,315,500,000

a/ Includes $13,500,000 that will become available for obligation in fiscal year 1991 as provided by P.L. 101-161.

b/ The Agricultural Credit Act of 1987 provides that the Secretary may transfer such amounts as may be necessary from farm operating guaranteed loans to farm ownership guaranteed loans. The Agency transferred $250,000,000 in fiscal year 1990 and proposes a transfer be made in fiscal year 1991, if necessary, to fund loans for the purchase of Farm Credit System land.

c/ Includes a $32,500,000 transfer from the fiscal year 1989 unobligated balance in the direct operating loan program to the direct operating loan program in fiscal year 1990 as provided by the 1989 Supplemental Appropriation Act, P.L. 101-45.

PROJECT STATEMENT
(On basis of loan and grant levels)
(In thousands of dollars)

Project	1989 Actual	1990 Estimated	Increase or Decrease	1991 Estimated
Farm ownership loans:				
Direct	$ 94,933	$ 80,000	-$41,500(1)	$ 38,500a/
Guaranteed	305,159b/	719,279b/	-569,279(2)	150,000b/
Farm operating loans:				
Direct	856,018	932,500c/	-432,500(3)	500,000
Guaranteed	879,174b/	2,315,985b/	+284,015(4)	2,600,000b/
Emergency disaster loans	73,493	600,000	-575,000(5)	25,000
Soil and water loans:				
Direct	5,499	5,500	-5,500(6)	--
Guaranteed	440	1,480	-1,480(6)	--
Indian tribe land acquisition loans	120	1,000	-1,000(7)	--
Watershed protection and flood prevention loans	--	4,000	-4,000(8)	--
Resource conservation and development loans	--	600	-600(9)	--
State mediation grants	3,000	3,456	-1,456(10)	2,000
TOTAL (adjusted)	2,217,836	4,663,800	-1,348,300	3,315,500
Gramm-Rudman-Hollings Reduction	--	40,300		
TOTAL LEVELS	2,217,836	4,704,100		

Staff-years are reflected in the Salaries and Expenses Project Statement and the Available Funds and Staff Years Table.

a/ Includes $13,500,000 that will become available for obligation in fiscal year 1991 as provided by P.L. 101-161.

b/ The Agricultural Credit Act of 1987 provides that the Secretary may transfer such amounts as may be necessary from farm operating guaranteed loans to farm ownership guaranteed loans. The Agency transferred $250,000,000 in fiscal years 1989 and 1990 and proposes a transfer be made in fiscal year 1991, if necessary, to fund loans for the purchase of Farm Credit System land.

c/ Includes a $32,500,000 transfer from the fiscal year 1989 unobligated balance in the direct operating loan program to the direct operating loan program in fiscal year 1990 as provided by P.L. 101-45.

EXPLANATION OF PROGRAM

The Agricultural Credit Insurance Fund and its associated loan programs are authorized by title III of the Consolidated Farm and Rural Development Act, as amended. The State Mediation Grant Program is authorized by title V of the Agricultural Credit Act of 1987.

This fund is used to insure or guarantee farm ownership, soil and water, farm operating, emergency, Indian tribe land acquisition, watershed protection, flood prevention, and resource conservation and development loans.

Public Law 92-419, approved August 30, 1972, abolished the Farmers Home Administration Direct Loan Account and the Emergency Credit Revolving Fund and provided for transfer of the assets and liabilities of, and authorizations applicable to, these accounts to the Agricultural Credit Insurance Fund. It also provided for transfer from the Agricultural Credit Insurance Fund to the Rural Development Insurance Fund of the assets and liabilities of the Agricultural Credit Insurance Fund applicable to loans for water systems and waste disposal facilities.

Real Estate Loans

Subtitle A of the Consolidated Farm and Rural Development Act contains the authorizations for farm ownership loans, recreation loans, and soil and water loans to individuals, and to farm cooperatives and private domestic corporations and partnerships that are controlled by farmers and ranchers, engaged primarily and directly in farming or ranching in the United States. Soil and water and recreation loans are each contained as a separate type of loan because the law sets forth eligibility requirements for these loans that differ somewhat from the eligibility requirements for farm ownership loans. In most respects, however, soil and water, recreation and farm ownership loans are subject to similar authorizations and limitations but not purposes. Direct loan borrowers are required to graduate to other credit sources when they are able to do so.

Farm Ownership Loans. Farm ownership loans, accompanied by supervisory assistance in farm and financial management, preserve and improve the family farm pattern of American agriculture and strengthen the economy of rural communities.

Farm ownership loans are used for:

1. Maintaining family farms: Farm ownership loans help owner-operators restructure their debts, including those who are highly leveraged who utilize their real estate equities to refinance heavy short-term debts. In other instances, the owner-operators use real estate credit and assistance to make further adjustments in their operations, to comply with local sanitation and pollution abatement requirements, to keep up with advances in agricultural technology, to better utilize their land and labor resources and to meet changing market requirements. Farm ownership loans may be used to finance income producing recreational enterprises or other nonfarm enterprises which supplement but do not supplant farm income.

2. Purchase and development of farms: One of the functions of the farm ownership loan program is to assist farmers, especially beginning farmers, in the purchase and enlargement of farms. Applicants eligible for these loans may use this assistance for combining small tracts of land, making basic soil improvements, establishing permanent pastures, improving dwellings and essential farm buildings, developing land and water, controlling pollution, producing or saving energy, adding a nonfarm enterprise and taking other measures to increase the efficiency and income-producing capacity of their holdings.

Farm ownership loans are made to eligible individuals, cooperatives, corporations, partnerships or joint operators who (1) have sufficient training or farm experience to assure reasonable prospects of success in the proposed operation, (2) are or will become owner-operators of not larger than family-size farms, and (3) are unable to obtain sufficient credit elsewhere to finance their actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in the community in or near where the applicant resides for loans for similar purposes and periods of time.

Loans are made for 40 years or less. A direct loan may not exceed $200,000 and a guaranteed loan may not exceed $300,000. The interest rate for direct loans is determined by the Secretary of Agriculture and does not exceed the cost-of-money to the Government, plus up to one percent additional. However, loans to limited resource borrowers bear interest of not more than one-half of the cost-of-money but not less than five percent per year. The applicable interest rate is increased by two percent if the project being financed involves the use of prime farm land for non-farm purposes. The interest rate for guaranteed loans is negotiated by the lender and the borrower and may be subsidized under the interest buy-down program. In addition, a specific amount of guaranteed loans may be subsidized for the purpose of providing an interest subsidy so that moderate-income borrowers may move from the direct loan program to the guaranteed loan program.

Soil and Water Loans. Soil and water loans are made to individuals, cooperatives, corporations, partnerships or joint operators who own and/or operate a farm. Applicants must be unable to obtain sufficient credit elsewhere to finance actual needs at reasonable rates and terms prevailing in the community where the farm is located. The loans may be made for soil conservation, development and use; forestation; drainage of farmland; establishment of permanent pasture; pollution control and energy saving measures. The loan limit is $200,000 for a direct loan and $300,000 for a guaranteed loan. The repayment period may be up to 40 years. The interest rate for direct loans is determined by the Secretary of Agriculture and does not exceed the cost-of-money to the Government, plus up to one percent additional. The interest rate is increased by two percent if the project being financed involves the use of prime farm land for nonfarm purposes. Guaranteed loans bear an interest rate negotiated by the lender and the borrower.

Operating Loans

Subtitle B of the Consolidated Farm and Rural Development Act contains the authorization for direct and guaranteed operating loans. Operating loans made by the Farmers Home Administration are accompanied by supervisory assistance in farm and financial management. Operating credit is targeted to family farmers throughout the United States, who are unable to obtain credit from private and cooperative sources, to develop or maintain a reasonable standard of living. The use of operating loan funds for this purpose helps provide opportunity for farm operators to conduct successful farm operations.

Loans are made to assist (1) full-time and part-time operators to continue in agriculture and to improve their farm and home operations, (2) part-time farm operators to convert their farming operations to full-time and to improve their income and level of living while continuing to live in rural areas, (3) young farmers who lack the necessary credit to acquire the resources needed for success, and (4) rural youths.

Operating loans are made to individuals, partnerships, corporations, cooperatives or joint operators who operate not larger than family-size farms or ranches, who (1) have sufficient training or farm experience to assure reasonable prospects of success in the proposed operation, (2) are or will become operators of not larger than family farms, except for rural youths, and (3) are unable to obtain sufficient credit elsewhere to finance their actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in the community in or near where the applicant resides, for loans for similar purposes and periods of time.

Operating loans may be made for paying costs incident to reorganizing a farming system for more profitable operations; purchasing livestock, poultry and farm equipment; purchasing feed, seed, fertilizer, insecticides, and farm supplies and meeting other essential operating expenses; financing land and water development, use, and conservation; developing recreation and other nonfarm enterprises; and refinancing existing indebtedness.

The loan limit is $200,000 for a direct loan and $400,000 for a guaranteed loan. Operating loans may be scheduled for payment over periods from 1 to 7 years depending on loan purposes. The interest rate for direct loans is determined by the Secretary of Agriculture and does not exceed the cost-of-money to the Government, plus up to one percent additional. However, loans to limited resource borrowers bear interest at a rate three percent below the cost-of-money. The interest rate is increased by two percent if the project being financed involves the use of prime farm land for nonfarm purposes. The interest rate for guaranteed loans is negotiated by the lender and the borrower and may be subsidized under the interest buy-down program. In addition, a specific amount of guaranteed loans may be subsidized for the purpose of providing an interest subsidy so that moderate-income borrowers may move from the direct loan program to the guaranteed loan program.

Direct loan borrowers are encouraged to supplement their operating loans with credit from other sources when this is feasible. They are required to graduate to other credit sources when able to do so.

Emergency Disaster Loans

Emergency loans are made available in designated areas (counties) and in contiguous counties where property damage and/or severe production losses have occurred as a direct result of a natural disaster. Areas may be declared by the President or designated for emergency loan assistance by the Secretary of Agriculture.

Emergency loans are made to established, eligible, family size farmers, ranchers and aquaculture operators. Partnerships and private domestic corporations and cooperatives may also qualify, providing they are primarily engaged in agricultural or aquacultural production. Loans may be made only for actual losses arising from natural disasters. A farmer who cannot receive credit elsewhere is eligible for an actual loss loan of up to $500,000 or the calculated actual loss, whichever is less, for each disaster at an interest rate of four and one-half percent. The Disaster Assistance Act of 1989 waived the requirement that applicants for emergency loans must have crop insurance for 1989 crops. However, applicants must agree to obtain crop insurance for their 1990 crops if they receive emergency assistance subject to certain exclusions and exemptions.

Actual loss loans may be made for physical losses to repair, restore or replace damaged or destroyed farm property, livestock and livestock products, and supplies, and for production losses to compensate for loss of income based on reduced production of crops and/or livestock products resulting from the disaster. Eligible farmers may use actual loss loan funds to purchase livestock, poultry, or other animals and pay costs incident to reorganizing a farming system to make it a sound operation. The reorganized farming operation, however, must be approximately equivalent in earning capacity to the operation conducted prior to the disaster. Under certain conditions, loan funds may be used to buy essential home equipment and furnishings and for limited refinancing of debts.

Repayment terms for actual loss loans vary according to the purposes of the loan, type of collateral available to secure the loan, and the projected repayment ability of the borrower. Loans for actual production or physical losses to crops, livestock, supplies and equipment may be scheduled for repayment for up to seven years. Under some conditions a longer repayment period may be authorized for production loss loans, but not to exceed 20 years. Generally, real estate will be needed as security when more than seven years is authorized. Loss loans for actual losses to real estate will generally be scheduled for repayment within 30 years but under some conditions may be scheduled for up to 40 years.

Loans to Associations and Groups

Subtitle A of the Consolidated Farm and Rural Development Act contains the authorization for Indian tribe land acquisition loans. In addition, watershed works of improvement and flood prevention loans are made to associations under the Watershed Protection Act, as amended (Public Law 83-566), and resource conservation and development loans are made to associations under section 102 of Public Law 87-703, and other existing Departmental authorities.

Indian Tribe Land Acquisition Loans. Public Law 91-229, approved April 11, 1970, authorized loans to any Indian tribe recognized by the Secretary of the Interior or tribal corporation established pursuant to the Indian Reorganization Act, which does not have adequate uncommitted funds, to acquire lands or interest in lands within the tribe's reservation or Alaskan Indian community, as determined by the Secretary of the Interior, for use of the tribe or the corporation or the members thereof. Loans are made for 40 years or less. The interest rate for these loans is determined by the Secretary of Agriculture. It does not exceed the cost-of-money to the Government, plus up to one percent additional, except, those tribes that are unable to pay the higher rate may be charged a lower interest rate.

Watershed Works of Improvement and Flood Prevention Loans. Loans are made to local organizations for financing the local share of the cost of installing, repairing or improving works of improvement and water storage facilities, purchasing sites or rights-of-way and for related costs in approved watershed works of improvement and flood prevention projects. FmHA has been assigned responsibility for making these loans to sponsors of such projects approved for operation by the Soil Conservation Service. No loan may be made until the Soil Conservation Service and the local organization have agreed on a plan for works of improvement. Public Law 92-419, approved August 30, 1972, provided for making such loans on a direct basis under the Agricultural Credit Insurance Fund.

These loans are repayable in not more than 50 years at an interest rate based on the average rate paid by the U.S. Treasury on obligations of similar maturity. For any single plan for works of improvement, the amount of the loan may not exceed $10 million.

Resource Conservation and Development Loans. Loans are made to local sponsoring organizations when needed for financing the local share of the cost of installing, repairing or improving works of improvement, purchasing sites or rights-of-way and for related costs in approved resource conservation and development projects. The Farmers Home Administration has been assigned responsibility for making these loans to sponsors of resource conservation and development projects approved for operation by the Soil Conservation Service. No loan may be made until the Soil Conservation Service and the local organization have agreed on a plan for development work. Public Law 92-419, approved August 30, 1972, provided for making such loans on a direct basis under the Agricultural Credit Insurance Fund.

These loans are repayable in not more than 30 years. Loans bear interest at a rate based on the average rate paid by the U.S. Treasury on obligations of similar maturity.

State Mediation Grants

Title V of the Agricultural Credit Act of 1987 contains the authorization for state mediation grants. Grants are made to states which have been certified by FmHA as having an agricultural loan mediation program. Grants will be solely for operation and administration of the state's agricultural loan mediation program. A grant will not exceed 50 percent of the total fiscal year funds that a qualifying state requires to operate and administer its agricultural loan mediation program. In no case will the total amount of a grant exceed $500,000 annually.

JUSTIFICATION OF INCREASE AND DECREASES

The FY 1991 Budget proposes to continue the initiative of the Food Security Act of 1985 to shift from direct loan programs to guaranteed loan programs. The focus on guaranteed lending will facilitate graduations of loans from FmHA to private lenders, and the transfer of most loan making responsibilities to private lenders will enable FmHA to concentrate on providing supervised credit assistance to needy borrowers, insure an effective guarantee/graduation process, and allow for improved servicing of the existing portfolio. The adequate servicing and supervision of delinquent farmer program loans to assist borrowers to overcome financial and management difficulties and to protect the Government's interest is, and continues to be, a prime concern of FmHA. The Agency makes every effort possible to assist financially pressed farm borrowers to overcome their difficulties. FmHA has found it necessary, in recent past times of economic stress, to assist applicants and borrowers to remain in farming with some of the most lenient lending policies in its history.

The 1991 Budget includes a major new initiative, a guaranteed interest subsidy program. This program will be used to move moderate-income borrowers from the Agency's direct farm ownership and farm operating loan programs to the guaranteed loan programs. The interest subsidy will be from 1 to 4 percent but will average no more than 3 percent. This level is anticipated to be sufficient to assist moderate-income borrowers who are not able to pay private sector rates without financial assistance. The program will enable FmHA to utilize private credit sources to make and service loans. In fiscal year 1991, guarantees assisted by interest subsidy will be authorized at $400 million. This program is discussed in greater detail in the guaranteed subsidy section (b). The interest rate reduction program, as authorized by the Agricultural Credit Act of 1987, will continue through 1993. This program requires a matching interest rate reduction of up to 2 percent by commercial banks.

A number of other initiatives FmHA has previously taken to expand the use of the private credit markets under guaranteed lending will be continued in 1991. Among them are:

> Interest buy-down program. The objective of the interest buy-down program is to afford farmers an opportunity to borrow money or continue a loan at two to four points less than the lenders' going rate. FmHA will "buy-down" one or two points to match a reduction by the lender. In addition, in accordance with the Agricultural Credit Act of 1987, P.L. 100-233, a demonstration project will be undertaken in which certificates of eligibility may be issued to FmHA eligible borrowers to reduce the interest rate paid by the borrowers on loans obtained from legally organized lending institutions and Farm Credit System institutions to purchase acquired properties owned by institutions of the Farm Credit System certified to issue preferred stock under section 6.27 of the Farm Credit Act of 1971. Such certificates may be used to reduce the interest rate payable by an eligible borrower on a guaranteed loan by not more than four percent.
>
> Operation assist. Operation assist is a referral and outreach program that will continue to help farmers obtain operating credit under FmHA's guaranteed loan program.
>
> Line of credit authority. This authority allows a farmer to establish a line of credit with a participating lender for certain guaranteed farm operating loan purposes.

The following adjustments result in a net decrease of $1,345,300,000 for loan and grant programs financed through the Agricultural Credit Insurance Fund.

(1) A decrease of $41,500,000 for direct farm ownership loans ($60,000,000 available in 1990).

Need for Change. New real estate lending will be kept at a minimum level and used to establish annual target participation rates on a county wide basis that will ensure that members of socially disadvantaged groups will receive real estate loans and have the opportunity to purchase or lease inventory farmland. Moderate-income borrowers will be assisted with a guaranteed loan accompanied by an interest subsidy from one to four percent, but will average no more than three percent. Real estate credit for existing FmHA borrowers will continue to be available through reamortization and rescheduling of loans secured by real estate. Farm ownership loans for new and beginning farmers will be served by credit sales from farm inventory property.

Nature of Change. This program will be maintained at a minimum level to enable members of socially disadvantaged groups to take advantage of the Agency's long term farm ownership loan program.

(2) A decrease of $569,279,000 for guaranteed farm ownership loans ($719,279,000 available in 1990.

Need for Change. A minimum program will be maintained to facilitate graduation of FmHA borrowers to private sector credit sources. The Agricultural Credit Act of 1987 authorizes the transfer of funds from guaranteed farm operating loans to guaranteed farm ownership loans. In FY 1990, the Agency transferred an amount of $250,000,000 and proposes a transfer be made in fiscal year 1991, if necessary, to fund loans for purchases of Farm Credit System land. Excluding this 1990 transfer, the actual program decrease is $319,279,000.

Nature of Change. This program will be maintained at a minimum level to give priority to operating credit needs. Of the $150 million level, $50 million may be subsidized.

(3) A decrease of $432,500,000 for direct farm operating loans ($932,500,000 available in 1990).

Need for Change. The Agency will make maximun use of the guaranteed operating loan program, in lieu of the subsidized direct loan program, to facilitate participation of the private agricultural credit sector. All the direct loans will be made at the limited resource rate to low-income borrowers. This decrease will be offset by providing $350 million in subsidized guaranteed loans.

Nature of Change. The program level will provide 11,060 direct loans in FY 1991.

(4) An increase of $284,015,000 for guaranteed farm operating loans ($2,315,985,000 available in 1990).

Need for Change. The Agency will make use of the guaranteed operating loan program to facilitate participation of the private agricultural credit sector. In addition to the new interest subsidy program, operation assist, line of credit authority, and the existing interest buy down program will increase participation of lenders in the guaranteed loan program. Also, the Agency has coordinated and worked with the Farm Credit Administration and private lenders to increase participation in the guaranteed loan area. The shift toward guaranteed lending will facilitate graduation of FmHA borrowers to private sector credit sources and focus FmHA staff resources on servicing requirements of its delinquent borrowers. The Agricultural Credit Act of 1987 authorizes the transfer of funds from guaranteed farm operating loans to guaranteed farm ownership loans. In FY 1990, the Agency transferred an amount of $250,000,000 and proposes a transfer be made in fiscal year 1991, if necessary, to fund loans for the purchase of Farm Credit System land. The actual program increase, excluding the 1990 transfer, is $34,015,000.

Nature of Change. The program level will provide 26,915 guaranteed loans in FY 1991.

(5) A decrease of $575,000,000 for emergency disaster loans ($600,000,000 available in 1990).

Need for Change. Of the $600 million funding level available in FY 1990, only $100 million is expected to be used for 3,670 loans, the most loans obligated since 1986. In fiscal year 1991, the funding level of $25 million will fund emergency actual loss loans and should be sufficient to meet demand.

Nature of Change. The level of $25,000,000 reflects the anticipated level of emergency loans which may be required.

(6) A decrease of $5,500,000 for direct and $1,480,000 for guaranteed soil and water loans ($6,980,000 available in 1990).

Need for Change. Elimination of the direct and guaranteed soil and water loan programs reflect redirection of Agency lending to guaranteed operating lending function. Also, historically there has been very limited use of the guaranteed soil and water program. Some activities funded under the soil and water loan program may be funded through the direct and guaranteed operating lending program.

Nature of Change. No program is proposed in FY 1991.

(7) A decrease of $1,000,000 for direct Indian tribe land acquisition loans ($1,000,000 available in 1990).

Need for Change. These loans are limited to the acquisition of land within the defined boundaries of a tribe's reservation. Most of the available land has been acquired by the loans now outstanding.

Nature of Change. No program level is proposed in FY 1991.

(8) A decrease of $4,000,000 for direct watershed protection and flood prevention loans ($4,000,000 available in 1990).

Need for Change. There has been little demand for this program in recent years. No loans have been obligated since FY 1987.

Nature of Change. No program level is proposed in FY 1991.

(9) A decrease of $600,000 for direct resource conservation and development loans ($600,000 available in 1990).

Need for Change. There has been little demand for this program in recent years. No loans have been obligated since FY 1985.

Nature of Change. No program level is proposed in FY 1991.

(10) A decrease of $1,456,000 for state mediation grants ($3,456,000 available in 1990).

Need for Change. Following peak demand for this program in 1990, the need for mediation is expected to decline.

Nature of Change. The level of $2,000,000 reflects the anticipated level of state mediation grants which may be required.

(b) Appropriation for Interest Subsidies for Guaranteed Loans

Appropriation Act, 1990	--
Budget Estimate, 1991	$33,227,000
Increase in Appropriation	+33,227,000

PROJECT STATEMENT
(On basis of appropriation)
(In thousands of dollars)

Project	1989 Actual	1990 Estimated	Increase	1991 Estimated
Appropriation for Interest Subsidies:				
Farm ownership loans	--	--	+$12,845	$12,845
Farm operating loans	--	--	+20,382	20,382
Total Appropriation	--	--	+33,227(1)	33,227

EXPLANATION OF PROGRAM

It is the policy of the Farmers Home Administration to move its rural credit functions from direct lending to guaranteed lending. Increasing the role of the private sector will enable the Agency to devote more of its resources to working on public policy initiatives such as counseling and graduation and to more effectively manage its outstanding portfolio. The Economic Research Service has indicated rural lenders have adequate reserves for increased lending in 1990 and 1991. Accordingly, more banks will be able to participate in our guaranteed loan program. However, the private sector needs an incentive to participate, and we believe this program provides that incentive.

Under this program, interest subsidy payments would be made to guaranteed lenders to assist moderate-income borrowers who would not be able to pay private sector rates without financial assistance to move from the Agency's existing direct loan portfolio to the guaranteed loan portfolio. The interest subsidy will range from 1 to 4 percent, but will average no more than 3 percent on $50 million of farm ownership subsidized loans and $350 million of farm operating subsidized loans. The amount of interest rate reduction would be tailored to individual borrowers' ability to cash flow.

The Budget requests a FY 1991 appropriation sufficient to finance the full potential costs of these interest subsidies. To assure adequate financing, the projection necessarily assumes that all loans will be carried their full term and that the interest subsidy level will remain constant throughout the life of the loan. However, subsidy amounts will be reevaluated each year in terms of the borrower's income and other factors. It is therefore possible that subsidies may be reduced or that loans may be repaid ahead of schedule. In these circumstances Federal costs would, in fact, be reduced.

This approach of recognizing maximum potential loss to the fund in future years is in contrast to similar loan subsidy costs of direct loans which are recognized each year they actually occur and are then requested in an appropriation to reimburse the fund two years later. While the budgetary treatment for appropriations is different, the aggregate cost to the Federal government for the same amount of subsidy is expected to be similar for both types of loans. The amount of subsidy will, however, vary with the interest rate on the loans and the rate the borrower can afford to pay. It should also be noted that there are significant outlay savings in the year the loans are guaranteed compared to making a direct loan because the loan principal amounts will be provided by the private sector rather than the Federal government.

JUSTIFICATION OF INCREASE

(1) An increase of $33,227,000 for the maximum lifetime subsidy cost on subsidized guaranteed loans obligated in 1991 (zero available in 1990).

Need for Change. To finance moderate-income borrowers who are not able to pay private sector rates on guaranteed loans without financial assistance and to encourage more active participation, by lenders, in the guaranteed loan program interest subsidy payments are proposed to be made to guaranteed lenders.

Nature of Change. The amount requested will fund the maximum lifetime interest subsidy cost for subsidized guaranteed loans obligated in FY 1991 at an average interest rate reduction of 3 percent on $400,000,000 of loan guarantees available for obligation in fiscal year 1991 of which $262.5 million is estimated to be 1 year loans, $87.5 million is estimated to be 7 years and $50 million is estimated to be longer term. After FY 1991, the subsidized guaranteed loan level will increase $50,000,000 per year to offset decreases in direct farm operating loans.

(c) Reimbursement for Interest Subsidies and Losses

Appropriation Act, 1990..	$4,120,159,000
Budget Estimate, 1991..	6,014,356,000
Increase in Appropriation..	+1,894,197,000

PROJECT STATEMENT
(On basis of appropriation)
(In thousands of dollars)

Project	1989 Actual	1990 Actual	Increase or Decrease	1991 Estimated
Reimbursement for Interest Subsidies and Losses:				
Farm ownership loans..........	$ 861,400	$1,049,715	+$ 78,566	$1,128,281
Farm operating loans..........	799,744	972,053	+437,861	1,409,914
Emergency disaster loans......	1,177,258	1,635,507	+598,382	2,233,889
Economic emergency loans......	534,884	713,443	+ 86,997	800,440
Soil and water conservation loans...............	29,655	38,619	+14,225	52,844
Indian tribe land acquisition loans...........	9,033	9,663	+782	10,445
Watershed protection and flood prevention loans......	8,695	8,863	+807	9,670
Resource conservation and development loans...........	1,993	2,002	+731	2,733
Other loan programs...........	19,934	22,294	+1,846	24,140
Total Losses......................	3,442,596	4,452,159	+1,220,197(1)	5,672,356
Appropriation for FY 1986 losses reimbursed in FY 1989..........	+35,000	--	--	--
Amount of FY 1987 losses not appropriated in FY 1989........	-10,000	--	--	--
Appropriation for FY 1987 losses reimbursed in FY 1990..........	--	+10,000	-10,000(2)	--
Amount of FY 1988 losses not appropriated in FY 1990........	--	-342,000	+342,000	--
Appropriation for FY 1988 losses not reimbursed in FY 1990......	--	--	+342,000(3)	+342,000
Total Appropriation..............	3,467,596	4,120,159	+1,894,197	6,014,356

EXPLANATION OF PROGRAM

This appropriation is proposed to reimburse the Agricultural Credit Insurance Fund for funded interest subsidies and losses incurred in fiscal years 1988 and 1989.

JUSTIFICATION OF INCREASES AND DECREASE

(1) An increase of $1,220,197,000 for reimbursement for interest subsidies and losses incurred in 1989 ($4,452,159,000 in interest subsidies and losses incurred in 1988).

Need for Change. The amount requested will reimburse the Agricultural Credit Insurance Fund for interest subsidies and losses incurred in FY 1989. Interest subsidies resulted primarily from interest costs incurred due to the difference between the interest rate paid by the borrower and the rate the Government is charged to borrow money. Until the passage of the Agricultural Credit Act of 1978, Public Law 95-334, August 4, 1978, many of the loans made from this Fund had been subject to interest rates in effect since 1954. Most of these rates were below the Government's cost-of-money. Limited resource borrowers may be charged interest at a rate lower than the cost-of-money interest rate. The increase results primarily from the Agency writing off uncollectible loans, writing debt (loans) down to net recovery value, and writing off the discount on buy outs at the net recovery value. As part of an effort to improve management of the Agency's portfolio, write-offs will continue to be larger than normal in FY 1990 and FY 1991.

Nature of Change. The amount requested will reimburse the Agricultural Credit Insurance Fund for interest subsidies and losses incurred in FY 1989.

(2) A decrease of $10,000,000 for reimbursement of interest subsidies and losses incurred in FY 1987, not reimbursed in FY 1989.

Need for Change. The amount of losses not appropriated in FY 1989 for FY 1987 losses was $10,000,000.

Nature of Change. The amount of interest subsidies and losses incurred in FY 1987 was reimbursed in FY 1990.

(3) An increase of $342,000,000 for reimbursement of interest subsidies and losses incurred in FY 1988, not reimbursed in FY 1990.

Need for Change. The amount of losses not appropriated in FY 1990 for FY 1988 losses was $342,000,000.

Nature of Change. The amount requested will reimburse the Agricultural Credit Insurance Fund for interest subsidies and losses incurred in FY 1988 that were not reimbursed in FY 1990.

The following schedule presents an analysis of change in the cash position of the Fund.

Change in Cash Position of the Fund
(In thousands of dollars)

	1989 Actual	1990 Estimated	1991 Estimated
Cash balance, beginning of year	$2,709,064	$ 20,841	$ 31,477
Outlays	-2,987,318	-2,670,979	-1,752,950
Funds for financing:			
Appropriation for reimbursement of interest subsidies and losses	3,467,596	4,120,159	6,014,356
Appropriation for grants	3,000	3,456	2,000
Appropriation for guaranteed loan subsidies	--	--	33,227
Treasury borrowings	11,240,000	7,100,000	6,250,000
Repayment of borrowings from Treasury	-10,451,500	-5,220,000	-8,540,000
Repayment of borrowings from FFB	-3,960,000	-3,322,000	-1,975,000
Net financing	299,096	2,681,615	1,784,583
Cash balance, end of year	20,841	31,477	63,110

An analysis by loan program of the accrued operating deficit, exclusive of unfunded losses, is shown in the following tables. In accordance with the accounting principles and standards followed by FmHA, this schedule is prepared on an accrual basis.

AGRICULTURAL CREDIT INSURANCE FUND

Operating Income and Expense Statement
(In Thousands of Dollars)

	Income			Expense				Net Total
	Interest	Other	Total	Interest	Write-offs	Other	Total	
1989 Actual								
Farm ownership loans	$ 447,377	$ 8,955	$ 456,332	$1,192,422	$ 319,965	$ 72,226	$1,584,613	-$1,128,281
Farm operating loans	336,008	8,204	344,212	898,088	798,041	57,997	1,754,126	-1,409,914
Emergency disaster loans	633,876	9,811	643,687	1,306,676	1,424,446	146,454	2,877,576	-2,233,889
Economic emergency loans	297,396	3,618	301,014	525,129	514,501	61,824	1,101,454	-800,440
Soil and water conservation loans	20,019	225	20,244	42,000	27,717	3,371	73,088	-52,844
Indian tribe land acquisition loans	4,868	18	4,886	14,387	--	944	15,331	-10,445
Watershed protection and flood prevention loans	3,876	16	3,892	12,618	--	944	13,562	-9,670
Resource conservation and development loans	753	3	756	2,075	335	1,079	3,489	-2,733
Other loan programs	7,145	33	7,178	20,112	3,050	8,156	31,318	-24,140
TOTAL	1,751,318	30,883	1,782,201	4,013,507	3,088,055	352,995	7,454,557	-5,672,356

AGRICULTURAL CREDIT INSURANCE FUND

Operating Income and Expense Statement
(In Thousands of Dollars)

	Income			Expense				Net Total
	Interest	Other	Total	Interest	Write-offs	Other	Total	
1990 Estimated								
Farm ownership loans	$ 435,312	$ 8,416	$ 443,728	$1,070,367	$ 399,217	$ 87,825	$1,557,409	-$1,113,681
Farm operating loans	326,952	7,711	334,663	806,288	995,732	70,526	1,872,546	-1,537,883
Emergency disaster loans	616,593	9,220	625,813	1,173,045	1,777,597	178,010	3,128,652	-2,502,839
Economic emergency loans	288,959	3,401	292,360	471,235	641,985	75,162	1,188,382	-896,022
Soil and water conservation loans	19,593	212	19,805	37,829	34,681	4,121	76,631	-56,826
Indian tribe land acquisition loans	4,771	17	4,788	12,970	--	1,159	14,129	-9,341
Watershed protection and flood prevention loans	3,748	17	3,765	11,168	--	1,159	12,327	-8,562
Resource conservation and development loans	681	--	681	1,801	385	1,330	3,516	-2,835
Other loan programs	7,156	26	7,182	18,014	3,853	9,959	31,826	-24,644
TOTAL	1,703,765	29,020	1,732,785	3,602,717	3,853,450	429,251	7,885,418	-6,152,633

AGRICULTURAL CREDIT INSURANCE FUND

Operating Income and Expense Statement
(In Thousands of Dollars)

	Income			Expense				Net Total
	Interest	Other	Total	Interest	Write-offs	Other	Total	
1991 Estimated								
Farm ownership loans	$ 401,178	$11,606	$ 412,784	$1,030,436	$ 399,217	$102,938	$1,532,591	-$1,119,807
Farm operating loans	301,316	10,633	311,949	776,208	995,732	82,663	1,854,603	-1,542,654
Emergency disaster loans	568,245	12,715	580,960	1,129,282	1,777,597	208,643	3,115,522	-2,534,562
Economic emergency loans	266,301	4,690	270,991	453,655	641,985	88,096	1,183,736	-912,745
Soil and water conservation loans	18,057	292	18,349	36,417	34,681	4,830	75,928	-57,579
Indian tribe land acquisition loans	4,397	24	4,421	12,486	--	1,358	13,844	-9,423
Watershed protection and flood prevention loans	3,454	24	3,478	10,752	--	1,358	12,110	-8,632
Resource conservation and development loans	628	--	628	1,734	385	1,560	3,679	-3,051
Other loan programs	6,594	36	6,630	17,342	3,853	11,672	32,867	-26,237
TOTAL	1,570,170	40,020	1,610,190	3,468,312	3,853,450	503,118	7,824,880	-6,214,690

The following schedules present an analysis of outlays by loan program for fiscal years 1989, 1990 and 1991.

Agricultural Credit Insurance Fund

Analysis of Outlays by Loan Program
Fiscal Year 1989 Actual
(In Thousands of Dollars)

	Operating Loans	Farm Ownership Loans	Soil & Water Loans Indiv.	Resource Cons. & Dev. Loans	Flood & Water Loans	Indian Land Loans	Emergency Disaster Loans	Economic Emergency Loans	Other Loans	Grants	Total
Funds for program operations:											
Funds expended:											
Loans made by the fund	$ 828,938	$ 106,585	$ 5,452	--	$ 3,592	$ 734	$ 73,174	—	—	—	$1,018,475
Purchase of loans and certificates of beneficial ownership	65,755	67,629	1	—	—	—	65,756	$ 65,756	$ 336	—	265,233
Collections disbursed to investors	—	4,932	10	—	—	17	—	--	1,486	--	6,445
Interest expense	906,371	1,210,503	42,802	$2,115	12,858	14,655	1,331,734	534,771	19,733	--	4,075,542
Loss settlement, guaranteed loans	37,333	8,616	--	--	--	--	--	9,957	561	--	56,467
Interest buy-down	5,776	4,920	—	—	--	—	--	—	—	--	10,696
Administrative expense	60,092	28,811	1,665	510	1,007	497	29,965	8,753	2,953	--	134,253
Grants	—	--	—	--	—	—	—	—	--	$1,951	1,951
Other	12,220	29,575	405	--	-	--	26,323	5,017	29	--	73,569
Total funds expended	1,916,485	1,461,571	50,335	2,625	17,457	15,903	1,526,952	624,254	25,098	1,951	5,642,631
Funds received:											
Repayments on loans	1,017,623	241,216	11,960	998	3,162	1,682	270,209	92,913	5,899	—	1,645,662
Payment of interest on loans	214,000	308,727	11,423	724	3,470	4,907	204,180	125,881	5,399	--	878,711
Collections received for investors	—	4,694	13	--	--	18	--	--	1,493	--	6,218
Insurance premiums and guarantee fees	7,363	1,664	--	--	--	--	--	--	--	--	9,027
Other	13,237	35,207	1,458	22	132	151	47,148	18,195	145	—	115,695
Total funds received	1,252,223	591,508	24,854	1,744	6,764	6,758	521,537	236,989	12,936	--	2,655,313
OUTLAYS	664,262	870,063	25,481	881	10,693	9,145	1,005,415	387,265	12,162	1,951	2,987,318

Agricultural Credit Insurance Fund

Analysis of Outlays by Loan Program
Fiscal Year 1990 Estimated
(In Thousands of Dollars)

	Operating Loans	Farm Ownership Loans	Soil & Water Loans Indiv.	Resource Cons. & Dev. Loans	Flood & Water Loans	Indian Land Loans	Emergency Disaster Loans	Economic Emergency Loans	Other Loans	Grants	Total
Funds for program operations:											
Funds expended:											
Loans made by the fund	$ 939,260	$ 80,499	$ 5,697	--	$15,844	$ 1,228	$ 99,067	--	--	--	$1,141,595
Purchase of loans and certificates of beneficial ownership	4,332	4,456	--	--	—	—	4,332	$ 4,330	$ 23	--	17,473
Collections disbursed to investors	--	4,591	10	--	--	16	--	--	1,383	--	6,000
Interest expense	827,825	1,103,024	38,943	$1,854	11,868	13,352	1,208,728	485,494	17,804	--	3,708,892
Loss settlement, guaranteed loans	48,268	11,140	--	--	--	--	--	12,870	722	--	73,000
Interest buy-down	6,456	5,499	--	--	--	--	--	--	--	--	11,955
Administrative expense	72,579	34,798	2,011	616	1,216	600	36,192	10,572	3,567	--	162,151
Grants	--	--	--	--	--	--	--	--	--	$3,456	3,456
Other	11,357	27,487	376	--	--	--	24,465	4,663	27	--	68,375
Total funds expended	1,910,077	1,271,494	47,037	2,470	28,928	15,196	1,372,784	517,929	23,526	3,456	5,192,897
Funds received:											
Repayments on loans	962,230	228,110	11,359	934	2,956	1,556	255,495	87,914	5,446	--	1,556,000
Payment of interest on loans	206,488	297,818	11,024	678	3,392	4,749	197,075	121,518	5,258	--	848,000
Collections received for investors	--	3,774	11	--	--	14	--	--	1,201	--	5,000
Insurance premiums and guarantee fees	22,042	4,980	--	--	--	--	--	--	--	--	27,022
Other	9,827	26,138	1,082	17	94	112	35,003	13,511	112	--	85,896
Total funds received	1,200,587	560,820	23,476	1,629	6,442	6,431	487,573	222,943	12,017	--	2,521,918
OUTLAYS	709,490	710,674	23,561	841	22,486	8,765	885,211	294,986	11,509	3,456	2,670,979

Agricultural Credit Insurance Fund

Analysis of Outlays by Loan Program
Fiscal Year 1991 Estimated
(In Thousands of Dollars)

	Operating Loans	Farm Ownership Loans	Soil & Water Loans Indiv.	Resource Cons. & Dev. Loans	Flood & Water Loans	Indian Land Loans	Emergency Disaster Loans	Economic Emergency Loans	Other Loans	Grants	Total
Funds for program operations:											
Funds expended:											
Loans made by the fund	$ 521,625	$ 42,650	$ 550	--	--	--	$ 28,750	--	--	--	$ 593,575
Purchase of loans and certificates of beneficial ownership	3,476	3,575	--	--	--	--	3,476	$ 3,476	$ 18	--	14,021
Collections disbursed to investors	--	4,591	10	--	--	$ 16	--	--	1,383	--	6,000
Interest expense	759,044	1,011,379	35,708	$1,700	$10,882	12,243	1,108,300	445,156	16,324	--	3,400,736
Loss settlement, guaranteed loans	69,426	16,023	--	--	--	--	--	18,511	1,040	--	105,000
Interest buy-down	5,400	4,600	--	--	--	--	--	--	--	--	10,000
Administrative expense	79,009	37,881	2,189	671	1,324	653	39,399	11,509	3,883	--	176,518
Grants	--	--	--	--	--	--	--	--	--	$2,000	2,000
Other	10,680	25,847	354	--	--	--	23,005	4,385	26	--	64,297
Total funds expended	1,448,660	1,146,546	38,811	2,371	12,206	12,912	1,202,930	483,037	22,674	2,000	4,372,147
Funds received:											
Repayments on loans	931,310	220,780	10,994	904	2,861	1,506	247,285	85,089	5,271	--	1,506,000
Payment of interest on loans	214,280	309,056	11,440	704	3,520	4,928	204,512	126,104	5,456	--	880,000
Collections received for investors	--	3,774	10	--	--	14	--	--	1,202	--	5,000
Insurance premiums and guarantee fees	20,410	4,612	--	--	--	--	--	--	--	--	25,022
Other	23,243	61,826	2,560	41	223	264	82,794	31,959	265	--	203,175
Total funds received	1,189,243	600,048	25,004	1,649	6,604	6,712	534,591	243,152	12,194	--	2,619,197
OUTLAYS	259,417	546,498	13,807	722	5,602	6,200	668,339	239,885	10,480	2,000	1,752,950

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1989 Actual and Estimated 1990 and 1991

Agricultural Credit Insurance Fund

Insured Farm Ownership Loan Program

	1989 Amount	1990 Amount	1991 Amount
Alabama............	1,293,400	1,145,000	549,600
Alaska.............	--	210,000	100,800
Arizona............	—	508,000	243,840
Arkansas...........	2,065,900	1,636,000	785,280
California.........	3,606,880	3,222,000	1,546,560
Colorado...........	1,125,200	1,200,000	576,000
Connecticut........	391,800	274,000	131,520
Delaware...........	342,660	280,000	134,400
Florida............	663,360	1,192,000	572,160
Georgia............	1,900,790	1,302,000	624,960
Hawaii.............	1,009,000	403,000	193,440
Idaho..............	1,244,780	1,021,000	490,080
Illinois...........	4,925,000	4,297,000	2,062,560
Indiana............	2,891,640	2,610,000	1,252,800
Iowa...............	6,846,140	5,340,000	2,563,200
Kansas.............	3,846,700	2,717,000	1,304,160
Kentucky...........	3,043,850	2,435,000	1,168,800
Louisiana..........	1,449,360	1,125,000	540,000
Maine..............	574,830	444,000	213,120
Maryland...........	284,250	634,000	304,320
Massachusetts......	373,240	380,000	182,400
Michigan...........	1,663,230	1,546,000	742,080
Minnesota..........	4,365,390	3,393,000	1,628,640
Mississippi........	1,616,010	1,122,000	538,560
Missouri...........	3,926,590	3,127,000	1,500,960
Montana............	1,513,500	1,386,000	665,280
Nebraska...........	3,528,780	3,111,000	1,493,280
Nevada.............	199,900	300,000	144,000
New Hampshire......	339,100	262,000	125,760
New Jersey.........	356,250	446,000	214,080
New Mexico.........	1,139,760	597,000	286,560
New York...........	1,718,260	1,351,000	648,480
North Carolina.....	2,056,020	1,781,000	854,880
North Dakota.......	2,372,630	1,800,000	864,000
Ohio...............	2,924,490	2,646,000	1,270,080
Oklahoma...........	2,975,970	2,044,000	981,120
Oregon.............	1,054,000	969,000	465,120
Pennsylvania.......	3,269,500	1,861,000	893,280
Rhode Island.......	301,900	186,000	89,280
South Carolina.....	1,576,350	845,000	405,600
South Dakota.......	1,894,310	1,746,000	838,080
Tennessee..........	2,458,440	1,940,000	931,200
Texas..............	5,637,580	5,582,000	2,679,360
Utah...............	795,000	685,000	328,800
Vermont............	683,500	465,000	223,200
Virginia...........	1,053,740	1,356,000	650,880
Washington.........	1,344,970	1,202,000	576,960
West Virginia......	638,800	728,000	349,440
Wisconsin..........	3,269,680	2,823,000	1,455,040
Wyoming............	359,750	855,000	410,400
Puerto Rico........	1,961,400	1,050,000	504,000
Trust Territories..	—	210,000	100,800
Virgin Islands.....	59,100	210,000	100,800
Total, Available or Estimate.........	94,932,680	80,000,000	38,500,000

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1989 Actual and Estimated 1990 and 1991

Agricultural Credit Insurance Fund

Guaranteed Farm Ownership Loan Program

	1989 Amount	1990 Amount	1991 Amount
Alabama............	6,877,460	10,626,263	2,231,515
Alaska.............	—	424,575	89,161
Arizona............	—	4,719,576	991,111
Arkansas...........	11,927,800	15,198,087	3,191,598
California.........	2,889,030	28,062,709	5,893,169
Colorado...........	2,952,500	11,144,245	2,340,291
Connecticut........	—	2,545,752	534,608
Delaware...........	1,477,600	2,618,779	549,944
Florida............	1,134,870	11,069,519	2,324,599
Georgia............	5,034,660	12,090,198	2,538,942
Hawaii.............	—	3,746,450	786,755
Idaho..............	4,230,190	9,478,212	1,990,425
Illinois...........	21,186,920	36,233,628	7,609,062
Indiana............	4,498,280	22,701,344	4,767,282
Iowa...............	27,310,950	47,442,240	9,962,870
Kansas.............	9,090,520	23,711,833	4,979,485
Kentucky...........	5,463,130	22,619,658	4,750,128
Louisiana..........	10,966,800	10,444,545	2,193,354
Maine..............	—	4,130,266	867,356
Maryland...........	1,491,100	5,889,704	1,236,838
Massachusetts......	280,000	3,062,035	643,027
Michigan...........	15,903,290	14,359,127	3,015,417
Minnesota..........	17,021,130	30,746,452	6,456,755
Mississippi........	12,440,150	10,424,165	2,189,075
Missouri...........	6,311,790	29,047,723	6,100,022
Montana............	4,355,070	12,871,416	2,702,997
Nebraska...........	12,524,090	28,894,876	6,067,924
Nevada.............	—	2,758,039	579,188
New Hampshire......	528,000	2,457,440	516,062
New Jersey.........	680,300	4,114,981	864,146
New Mexico.........	1,957,570	5,548,346	1,165,153
New York...........	3,028,930	12,555,532	2,636,662
North Carolina.....	9,400,560	16,538,045	3,472,989
North Dakota.......	13,644,490	16,716,367	3,510,437
Ohio...............	4,403,639	24,576,099	5,160,981
Oklahoma...........	11,598,850	18,992,089	3,988,339
Oregon.............	2,506,460	8,999,292	1,889,851
Pennsylvania.......	4,817,650	17,278,504	3,628,486
Rhode Island.......	—	1,727,171	362,706
South Carolina.....	3,409,570	7,849,543	1,648,404
South Dakota.......	2,627,870	16,210,778	3,404,263
Tennessee..........	3,299,070	18,012,170	3,782,556
Texas..............	9,215,760	50,203,033	9,994,047
Utah...............	2,013,640	6,363,530	1,336,341
Vermont............	2,383,000	3,855,141	809,580
Virginia...........	2,482,360	12,603,084	2,646,648
Washington.........	3,080,230	11,169,719	2,345,641
West Virginia......	1,284,000	6,755,837	1,418,726
Wisconsin..........	33,502,040	27,507,279	5,276,529
Wyoming............	2,028,500	7,937,854	1,666,949
Puerto Rico........	1,899,500	3,396,600	713,286
Trust Territories..	—	424,575	89,161
Virgin Islands.....	—	424,575	89,161
Total, Available or Estimate.........	305,159,319	719,279,000 1/	150,000,000

1/ Includes $250 million transferred form guaranteed farm operating authority for purchase of FCS inventory property.

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1989 and Estimated 1990 and 1991

Agricultural Credit Insurance Fund

Insured Farm Operating Loan Program

	1989 Amount	1990 Amount	1991 Amount
Alabama............	$12,903,850	$13,977,000	$7,547,580
Alaska.............	--	413,000	223,020
Arizona............	1,181,330	2,052,000	1,108,080
Arkansas...........	24,738,380	25,460,000	13,748,400
California.........	22,670,820	26,853,000	14,500,620
Colorado...........	7,486,250	9,242,000	4,990,680
Connecticut........	527,040	1,062,000	573,480
Delaware...........	491,880	1,048,000	565,920
Florida............	4,579,670	6,469,000	3,493,260
Georgia............	22,408,640	22,747,000	12,283,380
Hawaii.............	992,230	1,663,000	898,020
Idaho..............	18,235,010	18,426,000	9,950,040
Illinois...........	22,839,480	29,294,000	15,818,760
Indiana............	19,825,000	23,325,000	12,595,500
Iowa...............	40,222,480	47,366,000	25,577,640
Kansas.............	22,412,530	25,892,000	13,981,680
Kentucky...........	15,703,980	19,266,000	10,403,640
Louisiana..........	58,889,200	54,600,000	29,484,000
Maine..............	6,447,320	6,704,000	3,620,160
Maryland...........	1,594,000	2,784,000	1,503,360
Massachusetts......	1,865,730	2,378,000	1,284,120
Michigan...........	18,428,950	19,907,000	10,749,780
Minnesota..........	45,423,200	48,025,000	25,933,500
Mississippi........	59,294,830	54,989,000	29,694,060
Missouri...........	19,530,120	24,334,000	13,140,360
Montana............	8,227,730	10,167,000	5,490,180
Nebraska...........	26,452,950	30,308,000	16,366,320
Nevada.............	1,414,790	1,940,000	1,047,600
New Hampshire......	981,910	1,450,000	783,000
New Jersey.........	810,500	1,637,000	883,980
New Mexico.........	5,340,920	6,004,000	3,242,160
New York...........	14,092,300	15,672,000	8,462,880
North Carolina.....	17,993,120	19,822,000	10,703,880
North Dakota.......	50,598,750	48,953,000	25,884,620
Ohio...............	24,562,400	27,613,000	14,911,020
Oklahoma...........	42,988,010	42,580,000	22,493,200
Oregon.............	11,364,890	12,247,000	6,613,380
Pennsylvania.......	18,372,710	20,380,000	11,005,200
Rhode Island.......	151,960	538,000	290,520
South Carolina.....	12,162,730	12,659,000	6,835,860
South Dakota.......	8,272,010	11,358,000	6,133,320
Tennessee..........	27,023,810	28,257,000	14,758,780
Texas..............	79,288,490	81,883,000	42,216,820
Utah...............	3,288,270	4,399,000	2,375,460
Vermont............	4,079,180	4,543,000	2,453,220
Virginia...........	7,454,920	9,630,000	5,200,200
Washington.........	17,464,750	18,110,000	9,779,400
West Virginia......	1,470,930	2,932,000	1,583,280
Wisconsin..........	16,995,310	21,793,000	11,768,220
Wyoming............	2,800,500	4,358,000	2,353,320
Puerto Rico........	3,635,370	4,165,000	2,249,100
Trust Territories..	10,000	413,000	223,020
Virgin Islands.....	26,500	413,000	223,020
Total, Available or Estimate.........	856,017,630	932,500,000 1/	500,000,000

1/ Includes prior year carryover of $32.5 million authorized by P.L. 101-45.

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1989 Actual and Estimated 1990 and 1991

Agricultural Credit Insurance Fund

Guaranteed Farm Operating Loan Program

	1989 Amount	1990 Amount	1991 Amount
Alabama............	8,351,690	34,259,400	38,370,528
Alaska.............	--	220,500	246,960
Arizona............	1,388,260	13,484,300	15,102,416
Arkansas...........	34,540,440	47,958,300	53,713,296
California.........	31,483,470	91,131,300	102,067,056
Colorado...........	6,382,400	35,054,100	39,260,592
Connecticut........	230,000	7,992,000	8,951,040
Delaware...........	75,000	8,202,600	9,186,912
Florida............	4,163,350	32,363,100	36,246,672
Georgia............	26,965,710	39,062,700	43,750,224
Hawaii.............	—	10,522,800	11,785,536
Idaho..............	20,477,060	30,643,200	34,320,384
Illinois...........	53,636,010	121,605,300	136,197,936
Indiana............	13,490,300	77,415,300	86,705,136
Iowa...............	50,135,300	156,261,600	175,012,992
Kansas.............	30,455,800	81,146,700	90,884,304
Kentucky...........	7,614,160	71,952,300	80,586,576
Louisiana..........	90,234,110	33,274,800	37,267,776
Maine..............	633,120	13,374,000	14,978,880
Maryland...........	2,400,630	18,390,600	20,597,472
Massachusetts......	426,570	9,738,900	10,907,568
Michigan...........	34,705,380	81,798,800	91,614,656
Minnesota..........	54,409,280	104,799,600	117,375,552
Mississippi........	34,346,820	33,683,400	37,725,408
Missouri...........	18,741,580	94,446,900	105,780,528
Montana............	12,546,780	41,420,700	46,391,184
Nebraska...........	47,075,750	92,374,200	103,459,104
Nevada.............	12,000	8,821,800	9,880,416
New Hampshire......	30,000	7,795,800	8,731,296
New Jersey.........	408,700	12,314,700	13,792,464
New Mexico.........	2,246,800	17,114,400	19,168,128
New York...........	6,793,080	42,857,100	47,999,952
North Carolina.....	14,483,470	52,214,400	58,480,128
North Dakota.......	26,776,670	54,559,800	61,106,976
Ohio...............	13,769,810	78,711,300	88,156,656
Oklahoma...........	30,268,910	60,919,200	68,229,504
Oregon.............	7,915,550	29,322,900	32,841,648
Pennsylvania.......	3,407,960	55,172,700	61,793,424
Rhode Island.......	20,000	5,412,600	6,062,112
South Carolina.....	10,454,060	25,400,700	28,448,784
South Dakota.......	13,724,860	54,104,400	60,596,928
Tennessee..........	11,374,030	58,189,500	65,172,240
Texas..............	76,136,180	120,105,100	134,517,712
Utah...............	2,278,250	19,960,200	22,355,424
Vermont............	3,418,590	12,507,300	14,008,176
Virginia...........	2,347,470	40,636,300	45,512,656
Washington.........	16,714,800	35,531,100	39,794,832
West Virginia......	1,219,730	21,856,500	24,479,280
Wisconsin..........	42,194,500	90,406,800	107,353,000
Wyoming............	6,641,308	25,184,700	28,206,280
Puerto Rico........	1,628,500	3,867,300	4,331,376
Trust Territories..	—	220,500	246,960
Virgin Islands.....	—	220,500	246,960
Total, Available or Estimate.........	879,174,198	2,315,985,000 1/	2,600,000,000

1/ Excludes $250 million transferred to guaranteed farm ownership for purchase of FCS inventory property.

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1989 Actual and Estimated 1990 and 1991

Agricultural Credit Insurance Fund

Insured Soil and Water Loan Program

	1989 Amount	1990 Amount	1991 Amount
Alabama............	52,000	45,240	—
Alaska.............	—	30,000	—
Arizona............	—	30,000	—
Arkansas...........	389,320	358,700	—
California.........	307,600	296,600	—
Colorado...........	—	30,000	—
Connecticut........	—	30,000	—
Delaware...........	—	30,000	—
Florida............	67,000	58,300	—
Georgia............	166,600	144,900	—
Hawaii.............	—	30,000	—
Idaho..............	264,810	230,380	—
Illinois...........	9,200	30,000	—
Indiana............	25,000	30,000	—
Iowa...............	118,200	102,800	—
Kansas.............	279,250	242,950	—
Kentucky...........	106,130	92,300	—
Louisiana..........	97,800	85,100	—
Maine..............	8,440	30,000	—
Maryland...........	—	30,000	—
Massachusetts......	76,000	66,120	—
Michigan...........	72,000	62,640	—
Minnesota..........	112,530	97,900	—
Mississippi........	25,170	30,000	—
Missouri...........	118,330	122,950	—
Montana............	165,590	164,060	—
Nebraska...........	256,230	242,920	—
Nevada.............	102,500	89,170	—
New Hampshire......	50,000	43,500	—
New Jersey.........	33,840	30,000	—
New Mexico.........	17,000	30,000	—
New York...........	105,650	91,900	—
North Carolina.....	27,390	30,000	—
North Dakota.......	37,000	32,200	—
Ohio...............	18,000	30,000	—
Oklahoma...........	221,650	202,850	—
Oregon.............	172,320	169,900	—
Pennsylvania.......	290,690	273,200	—
Rhode Island.......	—	30,000	—
South Carolina.....	—	30,000	—
South Dakota.......	—	30,000	—
Tennessee..........	103,500	90,000	—
Texas..............	854,300	753,240	—
Utah...............	83,000	72,210	—
Vermont............	199,260	183,300	—
Virginia...........	—	30,000	—
Washington.........	219,400	190,870	—
West Virginia......	2,000	30,000	—
Wisconsin..........	101,250	88,100	—
Wyoming............	133,000	115,700	—
Puerto Rico........	10,000	30,000	—
Trust Territories..	—	30,000	—
Virgin Islands.....	—	30,000	—
Total, Available or Estimate.........	5,498,950	5,500,000	—

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1989 Actual and Estimated 1990 and 1991

Agricultural Credit Insurance Fund

Guaranteed Soil and Water Loan Program

	1989 Amount	1990 Amount	1991 Amount
Alabama............	—	25,000	—
Alaska.............	—	25,000	—
Arizona............	—	25,000	—
Arkansas...........	59,200	48,680	—
California.........	—	25,000	—
Colorado...........	—	25,000	—
Connecticut........	—	25,000	—
Delaware...........	—	25,000	—
Florida............	—	25,000	—
Georgia............	35,000	39,000	—
Hawaii.............	—	25,000	—
Idaho..............	—	25,000	—
Illinois...........	—	25,000	—
Indiana............	—	25,000	—
Iowa...............	—	25,000	—
Kansas.............	176,600	85,320	—
Kentucky...........	—	25,000	—
Louisiana..........	—	25,000	—
Maine..............	—	25,000	—
Maryland...........	—	25,000	—
Massachusetts......	—	25,000	—
Michigan...........	—	25,000	—
Minnesota..........	—	25,000	—
Mississippi........	—	25,000	—
Missouri...........	—	25,000	—
Montana............	—	25,000	—
Nebraska...........	—	25,000	—
Nevada.............	—	25,000	—
New Hampshire......	—	25,000	—
New Jersey.........	—	25,000	—
New Mexico.........	146,000	73,000	—
New York...........	—	25,000	—
North Carolina.....	—	25,000	—
North Dakota.......	—	25,000	—
Ohio...............	—	25,000	—
Oklahoma...........	—	25,000	—
Oregon.............	—	25,000	—
Pennsylvania.......	—	25,000	—
Rhode Island.......	—	25,000	—
South Carolina.....	—	25,000	—
South Dakota.......	—	25,000	—
Tennessee..........	—	25,000	—
Texas..............	—	25,000	—
Utah...............	—	25,000	—
Vermont............	—	25,000	—
Virginia...........	—	25,000	—
Washington.........	—	25,000	—
West Virginia......	—	25,000	—
Wisconsin..........	23,130	34,000	—
Wyoming............	—	25,000	—
Puerto Rico........	—	25,000	—
Trust Territories..	—	25,000	—
Virgin Islands.....	—	25,000	—
Total, Available or Estimate.........	439,930	1,480,000	—

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1989 Actual and Estimated 1990 and 1991

Agricultural Credit Insurance Fund

Indian Land Acquisition Loan Program

	1989 Amount	1990 Amount	1991 Amount
Arizona............	—	75,000	—
Connecticut........	—	100,000	—
Idaho..............	120,000	100,000	—
Kansas.............	—	50,000	—
Montana............	—	75,000	—
Nebraska...........	—	50,000	—
North Dakota.......	—	100,000	—
Oklahoma...........	—	50,000	—
Oregon.............	—	75,000	—
South Dakota.......	—	100,000	—
Washington.........	—	100,000	—
Wisconsin..........	—	50,000	—
Wyoming............	—	75,000	—
Total, Available or Estimate........	120,000	1,000,000	—

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1989 Actual and Estimated 1990 and 1991

Agricultural Credit Insurance Fund

Emergency Loan Program

	1989 Amount	1990 Amount	1991 Amount
Alabama	$146,060	—	—
Alaska	—	—	—
Arizona	199,600	—	—
Arkansas	2,284,010	—	—
California	85,000	—	—
Colorado	—	—	—
Connecticut	—	—	—
Delaware	311,610	—	—
Florida	619,100	—	—
Georgia	1,394,090	—	—
Hawaii	—	—	—
Idaho	1,051,880	—	—
Illinois	16,993,410	—	—
Indiana	1,513,520	—	—
Iowa	4,175,460	—	—
Kansas	—	—	—
Kentucky	255,140	—	—
Louisiana	932,080	—	—
Maine	—	—	—
Maryland	344,590	—	—
Massachusetts	—	—	—
Michigan	5,875,640	—	—
Minnesota	3,326,580	—	—
Mississippi	1,349,810	—	—
Missouri	353,870	—	—
Montana	1,159,900	—	—
Nebraska	167,740	—	—
Nevada	—	—	—
New Hampshire	60,000	—	—
New Jersey	2,079,450	—	—
New Mexico	—	—	—
New York	3,534,040	—	—
North Carolina	205,860	—	—
North Dakota	4,050,160	—	—
Ohio	1,817,980	—	—
Oklahoma	4,370,690	—	—
Oregon	166,960	—	—
Pennsylvania	4,460,480	—	—
Rhode Island	—	—	—
South Carolina	—	—	—
South Dakota	598,970	—	—
Tennessee	579,730	—	—
Texas	2,440,540	—	—
Utah	11,300	—	—
Vermont	—	—	—
Virginia	111,000	—	—
Washington	—	—	—
West Virginia	48,860	—	—
Wisconsin	6,142,860	—	—
Wyoming	237,150	—	—
Puerto Rico	—	—	—
Trust Territories	37,500	—	—
Virgin Islands	—	—	—
Total, Available or Estimate	$73,492,620	100,000,000 1/	25,000,000 1/

1/ Cannot be distributed by geographic area in advance.

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1989 Actual and Estimated 1990 and 1991

Agricultural Credit Insurance Fund

Insured Watershed and Flood Prevention Loan Program

	1989 Amount	1990 Amount	1991 Amount
Alabama	—	—	—
Alaska	—	—	—
Arizona	—	—	—
Arkansas	—	—	—
California	—	—	—
Colorado	—	—	—
Connecticut	—	—	—
Delaware	—	—	—
Florida	—	—	—
Georgia	—	—	—
Hawaii	—	—	—
Idaho	—	—	—
Illinois	—	—	—
Indiana	—	—	—
Iowa	—	—	—
Kansas	—	—	—
Kentucky	—	—	—
Louisiana	—	—	—
Maine	—	—	—
Maryland	—	—	—
Massachusetts	—	—	—
Michigan	—	—	—
Minnesota	—	—	—
Mississippi	—	—	—
Missouri	—	—	—
Montana	—	—	—
Nebraska	—	—	—
Nevada	—	—	—
New Hampshire	—	—	—
New Jersey	—	—	—
New Mexico	—	—	—
New York	—	—	—
North Carolina	—	—	—
North Dakota	—	—	—
Ohio	—	—	—
Oklahoma	—	—	—
Oregon	—	—	—
Pennsylvania	—	—	—
Rhode Island	—	—	—
South Carolina	—	—	—
South Dakota	—	—	—
Tennessee	—	—	—
Texas	—	—	—
Utah	—	—	—
Vermont	—	—	—
Virginia	—	—	—
Washington	—	—	—
West Virginia	—	—	—
Wisconsin	—	—	—
Wyoming	—	—	—
Puerto Rico	—	—	—
Trust Territories	—	—	—
Virgin Islands	—	—	—
Total, Available or Estimate	—	4,000,000 1/	—

1/ Cannot be distributed by geographic area in advance.

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1989 Actual and Estimated 1990 and 1991

Agricultural Credit Insurance Fund

Resource Conservation and Development Loan Program

	1989 Amount	1990 Amount	1991 Amount
Alabama............	—	—	—
Alaska.............	—	—	—
Arizona............	—	—	—
Arkansas...........	—	—	—
California.........	—	—	—
Colorado...........	—	—	—
Connecticut........	—	—	—
Delaware...........	—	—	—
Florida............	—	—	—
Georgia............	—	—	—
Hawaii.............	—	—	—
Idaho..............	—	—	—
Illinois...........	—	—	—
Indiana............	—	—	—
Iowa...............	—	—	—
Kansas.............	—	—	—
Kentucky...........	—	—	—
Louisiana..........	—	—	—
Maine..............	—	—	—
Maryland...........	—	—	—
Massachusetts......	—	—	—
Michigan...........	—	—	—
Minnesota..........	—	—	—
Mississippi........	—	—	—
Missouri...........	—	—	—
Montana............	—	—	—
Nebraska...........	—	—	—
Nevada.............	—	—	—
New Hampshire......	—	—	—
New Jersey.........	—	—	—
New Mexico.........	—	—	—
New York...........	—	—	—
North Carolina.....	—	—	—
North Dakota.......	—	—	—
Ohio...............	—	—	—
Oklahoma...........	—	—	—
Oregon.............	—	—	—
Pennsylvania.......	—	—	—
Rhode Island.......	—	—	—
South Carolina.....	—	—	—
South Dakota.......	—	—	—
Tennessee..........	—	—	—
Texas..............	—	—	—
Utah...............	—	—	—
Vermont............	—	—	—
Virginia...........	—	—	—
Washington.........	—	—	—
West Virginia......	—	—	—
Wisconsin..........	—	—	—
Wyoming............	—	—	—
Puerto Rico........	—	—	—
Trust Territories..	—	—	—
Virgin Islands.....	—	—	—
Total, Available or Estimate.........	—	600,000 1/	—

1/ Cannot be distributed by geographic area in advance.

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1989 Actual and Estimated 1990 and 1991

Agricultural Credit Insurance Fund

Interest Rate Buydown Program

	1989 Amount	1990 Amount	1991 Amount
Alabama............	—	100,000	100,000
Alaska.............	—	100,000	100,000
Arizona............	—	100,000	100,000
Arkansas...........	33,780	109,785	109,785
California.........	37,780	122,785	122,785
Colorado...........	124,754	405,451	405,451
Connecticut........	—	100,000	100,000
Delaware...........	—	100,000	100,000
Florida............	—	100,000	100,000
Georgia............	35,884	116,623	116,623
Hawaii.............	—	100,000	100,000
Idaho..............	94,559	307,317	307,317
Illinois...........	1,417,986	4,108,455	4,108,455
Indiana............	116,426	378,385	378,385
Iowa...............	1,631,703	5,303,035	5,303,035
Kansas.............	507,863	1,650,555	1,650,555
Kentucky...........	48,677	158,200	158,200
Louisiana..........	—	100,000	100,000
Maine..............	—	100,000	100,000
Maryland...........	—	100,000	100,000
Massachusetts......	—	100,000	100,000
Michigan...........	1,303,768	4,037,346	4,037,346
Minnesota..........	1,450,885	4,215,376	4,215,376
Mississippi........	18,503	110,135	110,135
Missouri...........	501,800	1,630,850	1,630,850
Montana............	232,124	754,403	754,403
Nebraska...........	209,874	682,091	682,091
Nevada.............	—	100,000	100,000
New Hampshire......	—	100,000	100,000
New Jersey.........	—	100,000	100,000
New Mexico.........	7,586	124,655	124,655
New York...........	32,671	106,181	106,181
North Carolina.....	—	100,000	100,000
North Dakota.......	2,640,886	8,082,088	8,082,088
Ohio...............	73,567	239,093	239,093
Oklahoma...........	288,683	938,220	938,220
Oregon.............	44,810	145,633	145,633
Pennsylvania.......	42,000	136,500	136,500
Rhode Island.......	—	100,000	100,000
South Carolina.....	—	100,000	100,000
South Dakota.......	174,964	568,633	568,633
Tennessee..........	16,200	152,650	152,650
Texas..............	75,708	246,051	246,051
Utah...............	136,707	444,298	444,298
Vermont............	25,284	182,173	182,173
Virginia...........	4,001	113,003	113,003
Washington.........	33,178	107,829	107,829
West Virginia......	—	100,000	100,000
Wisconsin..........	3,957,887	12,041,339	12,041,339
Wyoming............	55,651	180,866	180,866
Puerto Rico........	—	100,000	100,000
Trust Territories..	—	100,000	100,000
Virgin Islands.....	—	100,000	100,000
Total, Available or Estimate.........	15,376,149[1]	50,000,000	50,000,000

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[1] Includes FCS Demonstration Project

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1989 Actual and Estimated 1990 and 1991

State Mediation Program

	1989 Amount	1990 Amount	1991 Amount
Alabama............	110,200	170,840	99,087
Arkansas...........	—	139,886	81,134
Indiana............	29,090	37,340	21,657
Iowa...............	305,000	255,890	148,416
Kansas.............	431,150	451,990	262,154
Maine..............	—	139,886	81,134
Minnesota..........	500,000	500,000	285,520
Mississippi........	75,040	81,160	47,073
Montana............	75,000	15,000	8,700
Nebraska...........	168,140	177,650	103,037
New Mexico.........	55,050	59,500	34,510
North Dakota.......	260,020	375,000	217,500
Oklahoma...........	269,870	262,760	152,401
Oregon.............	—	139,888	81,135
South Dakota.......	97,000	92,360	53,569
Texas..............	500,000	427,970	248,223
Utah...............	12,000	10,000	5,800
Wisconsin..........	87,440	93,880	54,450
Wyoming............	25,000	25,000	14,500
Total, Available or Estimate........	3,000,000	3,456,000	2,000,000

AGRICULTURAL CREDIT INSURANCE FUND

STATUS OF PROGRAM

Increased credit demand, especially for operating capital, will likely lead to a modest increase in farm debt in 1989, reversing a five year trend of annual debt reduction. During the year, total debt outstanding is anticipated to increase by $2 to $5 billion. The retirement of farm business debt has continued through 1988, as a slight increase in nonreal estate debt was more than offset by declining real estate debt levels. Producers in less severe drought areas benefited from higher prices and near normal production levels. Apparently, these higher than anticipated cash incomes were applied to further debt retirement.

Farm Credit System loans (principally Federal Land Banks and Production Credit Associations) should increase in 1989, as the System continues to rebound from the financial difficulties of the mid-1980's. This will mark the first Farm Credit System annual increase since 1982.

Bank farm debt is expected to increase $1 to $3 billion in 1989; many rural banks report that funds available for farm loans may exceed local farmer demand. Debt held by the Farmers Home Administration (FmHA) decreased by $3 billion in 1989, as the Agency began to implement legislation to restructure delinquent loans. FmHA debt reduction could be higher if large amounts of problem loans are restructured and/or written off. The amount estimated to be written off because of the Agricultural Credit Act of 1987 (P.L. 100-233) is estimated to be almost $9 billion over a three year period, 1989 through 1991.

The Agricultural Credit Act of 1987 sets forth a precise process for the Agency to follow and requires restructuring of borrower debt when restructuring will provide a greater return to the Government than would be received in an involuntary liquidation. In addition, Congress has set forth a public policy that requires FmHA to keep every FmHA farmer borrower on the farm that it possibly can.

To ensure that public policy will be carried out, a specific set of borrower's rights has been set forth by Congress. These borrower rights provide a number of opportunities for borrowers in serious financial difficulty to have the debt written down in order to retain the farming business. These opportunities include traditional rescheduling, reamortization and deferrals. The legislation adds debt write down, buyout at net recovery value and revises the provisions for leaseback/buyback and homestead protection which were included in the Food Security Act of 1985. Descriptions of these financial opportunities follow:

(1) Rescheduling and/or Reamortization

Operating type loans can be rescheduled for up to 15 years with no limit on the number of times a loan can be rescheduled. Reamortization is for long term loans with reamortization of payments for up to 40 years from the date of the original loan. In addition, these loans can have interest rates reduced to limited resource rates which are three percent below regular rates.

(2) Deferral

Deferrals can be up to five years with renewals possible. Interest accrues on deferred debt so it is not a very viable choice for a borrower unless a substantial amount of other lender debt can be paid off or income increased during the deferral period. Farm plans must show that payment on the deferred debt can be resumed at the end of the deferral period.

(3) Debt Write Down

Debt write down is the major loan restructuring provision of the Agricultural Credit Act of 1987. The Act requires a determination be made as to whether the return to the Government would be equal or greater with the debt written down to net recovery value and keeping a farmer in business as compared to what would be received from foreclosure and liquidation. Net recovery value is the market value less all costs of an involuntary liquidation. If the farm operation will cash flow at or above net recovery value, the debt will be restructured, thereby keeping the farmer on the farm.

(4) Buy Out at Net Recovery Value

If all combinations of rescheduling, reamortization, deferral or write down do not provide a restructuring program that will keep the borrower paying the restructured debt, the borrower then has the opportunity to pay off the debt at net recovery value. This can be a heavily discounted payoff. The payoff must be in full to FmHA with no credit being provided by the Agency. There is a high probability that many borrowers whose loans can not be restructured will be able to pay off their loans at a few cents on the dollar. This will keep the borrower on the farm, debt free as far as FmHA is concerned, with a good opportunity to continue the farm business.

(5) Leaseback/Buyback

Leaseback/buyback is a transaction whereby the borrower conveys the property to the Agency in satisfaction of the debt and then leases the property back with an option to buy. The option must be exercised in five years or the property goes on the market. The Act requires that FmHA try to enter into a contract with the farmer wherein FmHA would assure the borrower that, upon conveyance, the Agency will lease or sell the property back to the borrower. Such sales may be made with FmHA providing the credit.

(6) Homestead Protection

Under the homestead protection FmHA is required to survey and establish a homestead which can consist of the home, outbuildings, and not more than ten acres of land. The homestead is leased to the borrower at a rental rate comparable to rental rates for the area. The lease is up to five years and also carries an option to purchase. FmHA will provide the credit.

(7) Mediation

FmHA is required to participate in mediation in states that have certified mediation programs. To date, sixteen states have certified mediation programs. In those states without certified mediation, the Agency is required to attempt to arrange a meeting with undersecured creditors for the purpose of attempting to persuade other lenders to make adjustments that would enable the farmer to continue to farm.

The adequate servicing and supervision of delinquent farmer program loans to assist borrowers to overcome financial and management difficulties and to protect the Government's interest is, and continues to be, a prime concern of the Farmers Home Administration. The Agency makes every effort possible to assist financially stressed farm borrowers to overcome their difficulties. Borrowers and the agricultural community can be assured that the Agency understands delinquent borrower problems and will continue to work with borrowers on a fair but firm basis by using all available authorities to assist them to remain in farming when their farming operations are feasible.

At the end of FY 1989, delinquent farmers numbered 41,213. This is a 32 percent decrease from the prior fiscal year when the number stood at 60,487. In addition, during the year 2,044 farmers discontinued farming, a 35 percent drop from the 3,159 farmers who left farming in FY 1988, primarily due to fewer foreclosures.

bankruptcies and liquidations. Also, 3,901 farmers had their loans deferred, a 399 percent increase from FY 1988 and 21,113 farmers had their loans rescheduled, consolidated or reamortized, a 38 percent increase from FY 1988.

Listed below are data regarding farmers in financial difficulty and the servicing actions taken by FmHA to help them.

	FY 1987	FY 1988	FY 1989
Number of farm borrowers	261,291	244,143	230,013
Number of farmers delinquent	67,511(25%)	60,487 (25%)	41,213(18%)
Number delinquent 3 years or more	50,291	70,425 a/	68,178
Deferrals	1,250	782	3,901
Rescheduled, consolidated, reamortized	31,809	15,266	21,113
Subordinations	29,517	26,763	30,325
Acceleration letters	10,196	725	4,045
Foreclosures:			
FmHA	233	58	45
Non-FmHA	547	504	257
Bankruptcies	1,135	717	331
Liquidations:			
Voluntary conveyances	954	704	463
Sales other than foreclosure	1,590	924	749
Transfers and assumptions	262	252	199
Total discontinued farming b/	4,721	3,159	2,044
Farm Inventory Properties:			
Number of farm properties	5,382	4,685	4,271
Acres	1,658,090	1,543,350	1,376,002
Present Market Value ($000)	$792,039	$637,165	$553,408

a/ Starting in FY 1988 Report Code 616, Insured Loan Delinquencies, includes collection only accounts.

b/ Does not include borrowers who have left farming, but whose liquidation proceedings have not been completed or in some cases even initiated.

The following table reflects the number and amount of loans and grants for fiscal year 1989:

Obligations
(Dollars in Thousands)

	FY 1989 Actual	
	Number	Amount
Insured Farm Ownership Loans	1,172	$94,933
Guaranteed Farm Ownership Loans	2,139	305,159
Insured Farm Operating Loans	20,517	856,018
Guaranteed Farm Operating Loans	9,863	879,174
Emergency Disaster Loans	2,806	73,493
All other ACIF Loans	361	6,059
State Mediation Grants	17	3,000
Total, ACIF	36,875	$2,217,836

FARMERS HOME ADMINISTRATION

The 1991 Budget Estimates include proposed language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Rural Development Insurance Fund:

For direct and guaranteed loans as authorized by 7 U.S.C. 1928 and 86 Stat. 661-664, to be available from funds in the Rural Development Insurance Fund, as follows: water and sewer facility loans, [$430,190,000] $350,000,000, of which [$75,000,000] $50,000,000 shall be for guaranteed loans[; guaranteed industrial development loans, $95,700,000]; and community facility loans, [$119,700,000] $95,700,000, of which [$24,000,000] $50,000,000 shall be for guaranteed loans.

For an additional amount to reimburse the Rural Development Insurance Fund for interest subsidies and losses sustained in prior years, but not previously reimbursed, in carrying out the provisions of the Consolidated Farm and Rural Development Act, as amended (7 U.S.C. 1988(a)), [$1,474,499,000] $1,666,160,000.

This change eliminates the appropriation language for guaranteed industrial development loans. No funds are requested for fiscal year 1991.

Rural Development Insurance Fund

(a) On Basis of Loan Levels

Program Loan Levels, 1990	$645,590,000
Program Loan Levels, 1991	445,700,000
Decrease in Loan Levels	-199,890,000

Adjustment in 1990		
Appropriation Act, 1990	$645,590,000	
Gramm-Rudman-Hollings Reduction(P.L. 99-177)	-7,604,000	
Adjusted base for 1990		637,986,000
Budget estimate, 1991		445,700,000
Decrease from adjusted 1990		-192,286,000

SUMMARY OF INCREASE AND DECREASES
(On basis of loan levels in Appropriation Act)

Item of Change	1990 Authorized	Program Changes	1991 Estimated
Direct water and waste disposal loans	$350,293,000	-$ 50,293,000	$300,000,000
Guaranteed water and waste disposal loans	74,465,000	-24,465,000	50,000,000
Direct community facility loans	94,381,000	-48,681,000	45,700,000
Guaranteed community facility loans	23,829,000	+26,171,000	50,000,000
Guaranteed business and industrial loans	95,018,000	-95,018,000	--
TOTAL	637,986,000	-192,286,000	445,700,000

Staff-years are reflected in the Salaries and Expense Project Statement.

PROJECT STATEMENT
(On basis of loan levels)
(In thousands of dollars)

Project	1989 Actual	1990 Estimated	Increase or Decrease	1991 Estimated
Rural Development Assistance:				
Direct water and waste disposal loans	$332,880	$350,293	-$ 50,293(1)	$300,000
Guaranteed water and waste disposal loans	--	74,465	-24,465(2)	50,000
Direct community facility loans	95,700	94,381	-48,681(1)	45,700
Guaranteed community facility loans	--	23,829	+26,171(2)	50,000
Guaranteed business and industrial loans	95,677	95,018	-95,018(3)	--
Disaster Asst. Act of 1988 a/	3,445	10,000	--	10,000
Disaster Asst. Act of 1989 b/	--	60,000	--	60,000
Adjusted total	527,702	707,986	-192,286	515,700
Authority available from prior years	-3,445	-70,000	--	-70,000
Gramm-Rudman-Hollings Reduction	--	7,604	-7,604	--
TOTAL	524,257	645,590	-199,890	445,700

Staff-years are reflected in the Salaries and Expense Project Statement.

a/ The Disaster Assistance Act of 1988, P.L. 100-387 provided $200 million in loan guarantee authority, to remain available until expended. Amounts shown represent estimated obligations of the guarantee authority.

b/ The Disaster Assistance Act of 1989, P.L. 101-82, provided an additional $200 million in loan guarantee authority with slightly different restrictions. The bill Making Technical Corrections in Agricultural Programs, P.L. 101-220, increased this loan guarantee authority by another $100 million. Amounts shown represent estimated obligations of the guarantee authority. This $300 million authority is available until expended.

EXPLANATION OF PROGRAM

The Rural Development Act of 1972 authorized the establishment of the Rural Development Insurance Fund under section 309A of the Consolidated Farm and Rural Development Act. This Act provided for transfer to the Rural Development Insurance Fund the assets and liabilities of the Agricultural Credit Insurance Fund applicable to loans for water systems and waste disposal facilities. This fund is used to insure or guarantee loans for water systems and waste disposal facilities, community facilities and industrial development in rural areas. A description of each type of loan follows:

> Direct water and waste disposal loans. Loans are made to public bodies, organizations operated on a not for profit basis and Indian tribes on Federal and State Reservations and other Federally recognized Indian tribes, for the development of storage, treatment, purification, or distribution of water or the collection, treatment, or disposal of waste in rural areas. A rural area includes any area in any city or town which has a population of not more than 10,000 inhabitants.

Applicants must be unable to obtain sufficient credit elsewhere to finance actual needs at reasonable rates and terms. FmHA loans are repayable in not more than 40 years or the useful life of the facility, whichever is less. These loans bear interest not in excess of the current market yield for comparable term municipal obligations. Those loans, made in areas where the median household income falls below the higher of 80 percent of the statewide nonmetropolitan median household income or the poverty level and the project is needed to meet health or sanitary standards, bear interest not in excess of 5 percent, the poverty line interest rate. The intermediate interest rate, which is the poverty line rate plus one-half the difference between the poverty line rate and the market rate, with a ceiling of 7 percent, applies when the loan does not meet the requirements of the poverty line rate and the median household income of the service area is not more than 100 percent of the nonmetropolitan median household income of the State.

Guaranteed water and waste disposal loans. Beginning in FY 1990, guaranteed loan authority is available through the water and waste disposal loan program. Eligible borrowers and loan purposes are similar to those under the direct water and waste disposal loan program with the exception that loans involving tax-exempt obligations and loans involving a Farmers Home Administration (FmHA) grant may not be guaranteed. Normally, the guarantee will not exceed 80 percent, however, in extraordinary circumstances it may be increased up to a maximum of 90 percent. The interest rate is negotiated between the borrower and lender and may be a fixed or variable rate.

Direct community facility loans. Loans are made to public bodies, organizations operated on a not for profit basis and Indian tribes on Federal and State Reservations and other Federally recognized Indian tribes, to construct, enlarge, extend, or otherwise improve community facilities which provide essential services to rural residents. Such facilities include those providing or supporting overall community development such as fire and rescue services, health care, hydroelectric generation, and community, social, and cultural benefits. Loans are made for facilities which primarily serve rural residents of open country and rural towns and villages of not more than 20,000 population.

Applicants must be unable to obtain sufficient credit elsewhere to finance actual needs at reasonable rates and terms. Loans are repayable in not more than the useful life of the facility or 40 years, whichever is less. These loans bear interest not in excess of the current market yield for comparable term municipal obligations. Those loans, made in areas where the median household income falls below the higher of 80 percent of the statewide nonmetropolitan median household income or the poverty level and the project is needed to meet health or sanitary standards, bear interest not in excess of 5 percent which is the poverty line interest rate. The intermediate interest rate, which is the poverty line rate plus one-half the difference between the poverty line rate and the market rate, with a ceiling of 7 percent, applies when the loan does not meet the requirements of the poverty line rate and the median household income of the service area is not more than 100 percent of the nonmetropolitan median household income of the State. An additional 2 percent is added to the interest rate if projects are built on prime farmland, unless the borrower is a public body and there are no suitable optional sites.

Guaranteed community facility loans. Beginning in FY 1990, guaranteed loan authority is available through the community facilities loan program. Eligible borrowers and loan purposes are similar to those under the direct community facilities loan program with the exception that loans involving tax-exempt obligations and loans involving a FmHA grant may not be guaranteed. Normally, the guarantee will not exceed 80 percent, however, in extraordinary circumstances it may be increased up to a maximum of 90 percent. The interest rate is negotiated between the borrower and lender and may be a fixed or variable rate.

Guaranteed business and industrial development loans. These guaranteed loans are made to public, private, or cooperative organizations organized for profit or nonprofit, to certain Indian tribes or tribal groups, corporate entities, or to individuals for the purpose of improving the economic and environmental climate in rural areas. Such purposes include financing business and industrial acquisition, construction, conversion, enlargement, repair or modernization; financing the purchase and development of land, easements, rights-of-way, buildings, equipment, facilities, machinery, supplies and materials; and paying start-up costs and supplying working capital. Industrial development loans may be made in any area that is not within the outer boundary of any city having a population of 50,000 or more and its immediately adjacent urbanized and urbanizing areas with a population density of more than 100 persons per square mile. Special consideration for such loans is given to rural areas and cities having a population of 25,000 or less. To obtain a loan, a borrower must have the legal capacity necessary for constructing, operating, and maintaining the proposed facility and for obtaining, securing, and repaying the loan. A borrower must be financially sound and so organized and managed that efficient service will be provided. Loans may be guaranteed by FmHA not to exceed 90 percent of the loss. Guaranteed loans may be made with maturities of 7, 15 or 30 years, depending on the collateral, and bear interest at a rate agreed upon by the lender and borrower.

Disaster Assistance Act of 1988 and Disaster Assistance Act of 1989. The Disaster Assistance Act of 1988, P.L. 100-387, provided $200 million for loan guarantees to rural business entities suffering economic hardship as a direct or indirect result of the extreme weather conditions faced by much of the Nation throughout fiscal year 1988. These loan guarantees may be issued for up to 90 percent of the principal amount with a cap of $500,000 per borrower. Additional loan guarantee authority for disaster assistance, in the amount of $200 million was made available through the Disaster Assistance Act of 1989, P.L. 101-82, to address the adverse weather conditions suffered in fiscal years 1988 and 1989. This authority may be used to guarantee principal and interest with certain limitations, such as, the total principal amount guaranteed cannot exceed $10 million per borrower and the maximum loss payable is the lesser of the percentage of guarantee multiplied by the unpaid principal and accrued interest or $2.5 million. For loans in excess of $2 million the percentage of guarantee will be calculated so that the guaranteed portion of the principal amount of the loan cannot exceed $2 million. For loans of $2 million or less, the maximum percentage of guarantee is 90 percent. The bill Making Technical Corrections in Agricultural Programs, P.L. 101-220, authorized an additional $100 million in guaranteed loan authority for this program as well as included earthquakes in the list of adverse conditions eligible for assistance. Although this guarantee authority is to remain available until expended, it is anticipated that all eligible loans will have been guaranteed by the conclusion of fiscal year 1991.

JUSTIFICATION OF INCREASE AND DECREASES

(1) A decrease of $50,293,000 for direct water and waste disposal loans and a decrease of $48,681,000 for direct community facility loans ($350,293,000 and $94,381,000 respectively available in 1990).

The Administration recognizes the need to continue financial assistance to low-income communities to aid their efforts in providing basic public services and in meeting Federal water quality and drinking water standards. In response the Department established their Rural Development Initiative in 1987 to reevaluate and redirect assistance to low-income and very low-income communities. The 1991 budget reflects the Administration's continuing concern for rural development by proposing funding for direct water and waste disposal loans and grants and direct community facility loans. This funding would provide support for 576 water and waste systems and 136 community facilities -- primarily public safety and health care facilities.

(2) A decrease of $24,465,000 for guaranteed water and waste disposal loans and an increase of $26,171,000 for guaranteed community facility loans ($74,465,000 and $23,829,000, respectively available in 1990). In addition to providing direct loans, the Administration will continue the shift to guaranteed lending authority as provided by Congress in the FY 1990 Appropriation Act. The new guaranteed loans will be targeted toward higher income taxable borrowers who can afford closer to market rate loans. This level will provide loans for 81 water and waste disposal systems and 97 community facilities.

(3) A decrease of $95,018,000 for guaranteed business and industrial loans ($95,018,000 available in 1990). The business and industry loan program will be terminated to better streamline Federal business lending to rural communities. This program duplicates the guaranteed loan programs of the Small Business Administration which can more effectively aid rural businesses with its multiple programs of lending, training, and business assistance.

Within FmHA, the Budget increases loans from the Rural Development Loan Fund to better assist grass roots business development. These loans are made to local intermediaries who can, in turn, provide credit to emerging rural businesses.

(b) Reimbursement for Interest Subsidies and Losses

Appropriation Act, 1990	$1,474,499,000
Budget Estimate, 1991	1,666,160,000
Increase in Appropriation	+191,661,000

PROJECT STATEMENT

(On basis of appropriation)
(In thousands of dollars)

Project	1989 Actual	1990 Actual	Increase or Decrease	1991 Estimated
Reimbursement for Interest Subsidies and Losses:				
Water and waste disposal loans:				
Water supply	$392,336	$367,729	-$ 58,375	$ 309,354
Waste disposal	144,410	137,154	-4,380	132,774
Combination water supply and waste disposal	45,672	37,404	-9,092	28,312
Community facility loans	125,894	139,518	+3,819	143,337
Business and industrial loans	21,856	31,157	+98,400	129,557
Borrower discount purchase program/sale of loan assets	861,879	758,037	+164,789	922,826
Total Losses	1,592,047	1,470,999	+195,161(1)	1,666,160
Appropriation for FY 1986 losses reimbursed in FY 1989	+7,500	--	--	--
Amount of FY 1987 losses not appropriated in FY 1989	-11,000	--	--	--
Appropriation for FY 1987 losses reimbursed in FY 1990	--	+11,000	-11,000(2)	--
Appropriation for FY 1988 losses	+7,500	-7,500	+7,500	--
Total Appropriation	1,596,047	1,474,499	+191,661	1,666,160

Staff-years are reflected in the Salaries and Expenses Project Statement.

EXPLANATION OF PROGRAM

This appropriation is proposed to reimburse the Rural Development Insurance Fund for funded interest subsidies and losses incurred in fiscal year 1989.

JUSTIFICATION OF INCREASE AND DECREASES

(1) An increase of $195,161,000 for reimbursement of interest subsidies and losses incurred in 1989 ($1,470,999,000 in interest subsidies and losses incurred in 1988).

Need for Change. The amount requested will reimburse the Rural Development Insurance Fund for interest subsidies and losses incurred in FY 1989. The loss results from the difference between interest rates charged to borrowers and the rate which the Government must pay for its own borrowing. The increase in reimbursement for losses is primarily caused by the increase in loss settlement on business and industrial loans and the increase in the sale of assets results from the discount on the loans purchased under the borrower discount purchase program being more than the year before. The borrower discount purchase program resulted in a budget deficit reduction in FY 1989 and eliminated the need to request interest subsidy reimbursements, in the future, on those loans sold.

Nature of Change. The amount requested will reimburse the Rural Development Insurance Fund for interest subsidies and losses incurred in FY 1989.

(2) The decrease of $11,000,000 reimbursement of interest subsidies and losses incurred in FY 1987, not reimbursed in FY 1989.

Need for Change. The amount of funding not made available in FY 1989 for FY 1987 losses was $11,000,000. Congress appropriated the $11,000,000 to the Rural Development Insurance Fund but instructed that it be transferred to the Rural Development Loan Fund to make loans in FY 1989.

Nature of Change. The amount of interest subsidies and losses incurred in FY 1987 was reimbursed in FY 1990.

The following schedule presents an analysis of change in the cash position of the Fund.

Change in Cash Position of the Fund
(In thousands of dollars)

	1989 Actual	1990 Estimated	1991 Estimated
Cash balance, beginning of year	$ 15,600	$ 53,843	$ 32,080
Outlays	-402,805	-891,262	-885,246
Funds for financing:			
Appropriation for reimbursement of interest subsidies and losses	1,596,047	1,474,499	1,666,160
Treasury borrowings	1,505,000	900,000	200,000
Repayment of borrowings from Treasury	-1,435,000	-1,505,000	-900,000
Repayment of borrowings from FFB ahead of schedule	-1,225,000	--	--
Net financing	441,047	869,499	966,160
Cash balance, end of year	53,843	32,080	112,994

An analysis by loan program of the accrued operating deficit, exclusive of unfunded losses, is shown in the following tables. In accordance with the accounting principles and standards followed by FmHA, this schedule is prepared on an accrual basis.

Rural Development Insurance Fund

Operating Income and Expense Statement
(In Thousands of Dollars)

	Income			Expenses				Net Total
	Interest	Other	Total	Interest	Write-offs	Other	Total	
1989 Actual								
Water and waste disposal loans:								
Water supply	$123,118	--	$123,118	$432,215	--	$ 257	$ 432,472	-$ 309,354
Waste disposal	50,161	--	50,161	182,835	--	100	182,935	-132,774
Combination water supply and waste disposal	12,327	--	12,327	40,605	--	34	40,639	-28,312
Community facility loans	53,651	--	53,651	196,920	--	68	196,988	-143,337
Business and industrial loans	44,431	$3,610	48,041	25,042	$20,747	131,809	177,598	-129,557
Borrower discount purchase program/sale of loan assets	--	--	--	--	--	922,826	922,826	-922,826
TOTAL	283,688	3,610	287,298	877,617	20,747	1,055,094	1,953,458	-1,666,160
1990 Estimate								
Water and waste disposal loans:								
Water supply	88,980	2	88,982	381,930	--	477	382,407	-293,425
Waste disposal	35,179	--	35,179	146,896	--	--	146,896	-111,717
Combination water supply and waste disposal	8,277	--	8,277	36,724	--	--	36,724	-28,447
Community facility loans	39,317	1	39,318	139,551	499	--	140,050	-100,732
Business and industrial loans	30,183	4,997	35,180	29,379	281	47,233	76,893	-41,713
Borrower discount purchase program/sale of loans assets	--	--	--	--	--	7,200	7,200	-7,200
TOTAL	201,936	5,000	206,936	734,480	780	54,910	790,170	-583,234

Rural Development Insurance Fund

Operating Income and Expense Statement - Continued
(In Thousands of Dollars)

	Income			Expenses				Net Total
	Interest	Other	Total	Interest	Write-offs	Other	Total	
1991 Estimate								
Water and waste disposal loans:								
Water supply	$ 92,648	$1,000	$ 93,648	$378,290	$120	$ 580	$378,990	-$285,342
Waste disposal	36,629	--	36,629	145,496	--	--	145,496	-108,867
Combination water supply and waste disposal	8,619	--	8,619	36,374	--	--	36,374	-27,755
Community facility loans	40,937	1,000	41,937	138,221	354	134	138,709	-96,772
Business and industrial loans	33,630	1,000	34,630	29,100	233	43,905	73,238	-38,608
TOTAL	212,463	3,000	215,463	727,481	707	44,619	772,807	-557,344

The following schedules present an analysis of outlays by loan program for fiscal years 1989, 1990 and 1991.

Rural Development Insurance Fund

Analysis of Outlays by Loan Program
Fiscal Year 1989 Actual
(In Thousands of Dollars)

	Water Supply Loans	Waste Disposal Loans	Combination Water Supply & Waste Disposal Loans	Community Facility Loans	Business & Industrial Loans	Total
Funds for program operation:						
Funds expended:						
Loans made by the fund	$ 173,805	$154,066	$ 7,896	$120,409	--	$ 456,176
Purchase of certificates of beneficial ownership	43,429	18,399	4,087	19,889	$ 468	86,272
Purchase of loans	6,509	88	456	--	--	7,053
Collections disbursed to investors	6,338	15	274	--	--	6,627
Interest expense	483,301	204,296	45,404	220,050	28,074	981,125
Investment in guaranteed loans	--	--	--	--	17,286	17,286
Loss settlement, guaranteed loans	--	--	--	--	23,224	23,224
FFB prepayment penalty	171,936	72,842	16,179	78,741	1,851	341,549
Other	808,908	340,963	105,132	319,130	22,940	1,597,073
Total funds expended	1,694,226	790,669	179,428	758,219	93,843	3,516,385
Funds received:						
Repayments on loans	59,806	30,888	5,599	32,331	583	129,207
Payment of interest on loans	119,195	48,270	12,418	51,224	1,497	232,604
Collections received for investors	5,514	7	203	--	--	5,724
Payments on investment in guaranteed loans	--	--	--	--	34,095	34,095
Insurance premiums and guarantee fees	--	--	--	--	754	754
Principal on loan asset sale	607,481	236,765	78,303	159,810	--	1,082,359
Interest on loan asset sale	14,073	7,165	2,073	3,828	--	27,139
Other	811,133	341,896	105,340	320,149	23,180	1,601,698
Total funds received	1,617,202	664,991	203,936	567,342	60,109	3,113,580
Outlays	77,024	125,678	-24,508	190,877	33,734	402,805

Rural Development Insurance Fund

Analysis of Outlays by Loan Program
Fiscal Year 1990 Estimated
(In Thousands of Dollars)

	Water Supply Loans	Waste Disposal Loans	Combination Water Supply & Waste Disposal Loans	Community Facility Loans	Business & Industrial Loans	Total
Funds for program operation:						
Funds expended:						
Loans made by the fund	$138,177	$122,582	$ 6,165	$ 95,745	--	$ 362,669
Purchase of certificates of beneficial ownership	2,743	1,162	256	1,260	$ 33	5,454
Purchase of loans	72	2	5	--	--	79
Collections disbursed to investors	9,560	30	410	--	--	10,000
Interest expense	384,301	162,469	35,931	174,966	23,433	781,100
Investment in guaranteed loans	--	--	--	--	47,591	47,591
Loss settlement, guaranteed loans	--	--	--	--	13,823	13,823
Other	623	1	20	--	6	650
Total funds expended	535,476	286,246	42,787	271,971	84,886	1,221,366
Funds received:						
Repayments on loans	43,964	22,694	4,083	23,738	475	94,954
Payment of interest on loans	87,898	35,709	9,099	37,769	1,202	171,677
Collections received for investors	9,100	500	400	--	--	10,000
Payments on investment in guaranteed loans	5,520	1,840	--	7,359	22,078	36,797
Insurance premiums and guarantee fees	670	--	--	215	2,970	3,855
Loan asset sale	6,784	3,072	1,024	1,920	--	12,800
Other	11	4	1	4	1	21
Total funds received	153,947	63,819	14,607	71,005	26,726	330,104
Outlays	381,529	222,427	28,180	200,966	58,160	891,262

Rural Development Insurance Fund

Analysis of Outlays by Loan Program
Fiscal Year 1991 Estimated
(In Thousands of Dollars)

	Water Supply Loans	Waste Disposal Loans	Combination Water Supply & Waste Disposal Loans	Community Facility Loans	Business & Industrial Loans	Total
Funds for program operation:						
Funds expended:						
Loans made by the fund..................	$145,883	$129,418	$ 6,509	$101,084	--	$ 382,894
Purchase of certificates of beneficial ownership..........................	262	111	24	120	$ 3	520
Purchase of loans....................	3,054	43	215	--	--	3,312
Collections disbursed to investors......	6,100	2,800	1,100	--	--	10,000
Interest expense........................	378,228	159,902	35,363	172,202	23,063	768,758
Investment in guaranteed loans..........	6,149	2,050	--	8,199	24,597	40,995
Loss settlement, guaranteed loans.......	--	--	--	--	11,058	11,058
Other...................................	575	2	18	--	5	600
Total funds expended.................	540,251	294,326	43,229	281,605	58,726	1,218,137
Funds received:						
Repayments on loans.....................	46,836	24,177	4,350	25,290	505	101,158
Payment of interest on loans............	93,642	38,042	9,693	40,237	1,280	182,894
Collections received for investors......	9,100	500	400	--	--	10,000
Payments on investment in guaranteed loans...............................	5,500	1,833	--	7,333	21,999	36,665
Insurance premiums and guarantee fees...	446	--	--	445	1,260	2,151
Other...................................	12	4	2	4	1	23
Total funds received.................	155,536	64,556	14,445	73,309	25,045	332,891
Outlays..................................	384,715	229,770	28,784	208,296	33,681	885,246

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1989 and Estimated 1990 and 1991

Rural Development Insurance Fund

Water and Waste Diposal Loan Program - Direct

	1989 Amount	1990 Amount	1991 Amount
Alabama	8,459,160	8,884,049	7,614,899
Alaska	—	100,000	85,714
Arizona	590,800	620,475	531,836
Arkansas	18,734,900	19,675,922	16,865,076
California	10,189,800	10,701,616	9,172,814
Colorado	266,400	279,781	239,812
Connecticut	1,761,200	1,849,662	1,585,425
Delaware	678,900	713,000	611,143
Florida	9,551,800	10,031,571	8,598,489
Georgia	3,066,200	3,220,210	2,760,180
Hawaii	—	100,000	85,714
Idaho	2,036,700	2,139,000	1,833,429
Illinois	4,190,500	4,400,982	3,772,270
Indiana	2,922,600	3,069,397	2,630,912
Iowa	14,759,000	15,500,319	13,285,988
Kansas	1,636,900	1,719,119	1,473,530
Kentucky	21,648,200	22,735,552	19,487,616
Louisiana	8,740,000	9,178,995	7,867,710
Maine	11,857,180	12,452,746	10,673,782
Maryland	3,465,000	3,639,041	3,119,178
Massachusetts	9,269,960	9,735,574	8,344,778
Michigan	11,334,000	11,903,288	10,202,818
Minnesota	5,437,000	5,710,091	4,894,364
Mississippi	9,104,700	9,562,014	8,196,012
Missouri	6,767,400	7,107,315	6,091,984
Montana	256,400	269,279	230,810
Nebraska	1,950,900	2,048,890	1,756,192
Nevada	1,714,700	1,800,826	1,543,566
New Hampshire	1,537,000	1,614,201	1,383,601
New Jersey	3,055,800	3,209,288	2,750,818
New Mexico	702,300	737,575	632,207
New York	13,543,400	14,223,662	12,191,710
North Carolina	31,162,000	32,727,214	28,051,898
North Dakota	2,585,000	2,714,840	2,327,006
Ohio	12,451,000	13,076,393	11,208,336
Oklahoma	4,768,200	5,007,699	4,292,313
Oregon	3,716,100	3,902,753	3,345,217
Pennsylvania	15,641,000	16,426,621	14,079,961
Rhode Island	463,000	486,256	416,791
South Carolina	14,882,500	15,630,023	13,397,162
South Dakota	2,245,500	2,358,288	2,021,389
Tennessee	9,984,000	10,485,479	8,987,554
Texas	14,815,000	15,559,132	13,336,399
Utah	520,000	546,119	468,102
Vermont	3,170,800	3,330,064	2,854,340
Virginia	8,126,400	8,534,575	7,315,350
Washington	2,873,400	3,017,726	2,586,622
West Virginia	8,337,000	8,755,753	7,504,931
Wisconsin	5,561,600	5,840,950	5,006,528
Wyoming	378,700	397,721	340,904
Puerto Rico	1,970,000	2,068,953	1,773,388
Trust Territories	—	100,000	85,714
Virgin Islands	—	100,000	85,714
Total, Available or Estimate	332,880,000	350,000,000	300,000,000

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1989 and Estimated 1990 and 1991

Rural Development Insurance Fund

Water and Waste Diposal Loan Program - Guaranteed

	1989 Amount	1990 Amount	1991 Amount
Alabama	--	1,887,225	1,267,189
Alaska	--	58,001	38,945
Arizona	--	131,807	88,503
Arkansas	--	4,179,726	2,806,504
California	--	2,273,328	1,526,441
Colorado	--	59,443	39,913
Connecticut	--	392,921	263,829
Delaware	--	151,462	101,700
Florida	--	2,130,991	1,430,868
Georgia	--	684,064	459,319
Hawaii	--	50,000	33,573
Idaho	--	454,385	305,100
Illinois	--	934,894	627,741
Indiana	--	652,027	437,808
Iowa	--	3,292,709	2,210,910
Kansas	--	365,190	245,209
Kentucky	--	4,829,679	3,242,919
Louisiana	--	1,949,880	1,309,259
Maine	--	2,645,318	1,776,216
Maryland	--	773,036	519,060
Massachusetts	--	2,068,113	1,388,648
Michigan	--	2,528,597	1,697,843
Minnesota	--	1,212,986	814,467
Mississippi	--	2,031,244	1,363,892
Missouri	--	1,509,796	1,013,762
Montana	--	57,202	38,409
Nebraska	--	435,243	292,247
Nevada	--	382,547	256,864
New Hampshire	--	342,902	230,244
New Jersey	--	681,744	457,761
New Mexico	--	156,682	105,205
New York	--	3,021,511	2,028,813
North Carolina	--	6,592,193	4,426,370
North Dakota	--	576,709	387,235
Ohio	--	2,777,798	1,865,170
Oklahoma	--	1,063,778	714,281
Oregon	--	829,056	556,675
Pennsylvania	--	3,489,482	2,343,035
Rhode Island	--	103,295	69,358
South Carolina	--	3,320,262	2,229,411
South Dakota	--	500,967	336,377
Tennessee	--	2,227,415	1,495,612
Texas	--	3,657,187	2,455,642
Utah	--	116,011	77,896
Vermont	--	707,400	474,988
Virginia	--	1,812,987	1,217,342
Washington	--	641,051	430,438
West Virginia	--	1,859,971	1,248,889
Wisconsin	--	1,240,784	833,132
Wyoming	--	84,497	56,736
Puerto Rico	--	439,504	295,108
Trust Territories	--	50,000	33,573
Virgin Islands	--	50,000	33,573
Total, Available or Estimate	--	74,465,000	50,000,000

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1989 and Estimated 1990 and 1991

Rural Development Insurance Fund

Community Facilities Loan Program - Direct

	1989 Amount	1990 Amount	1991 Amount
Alabama	60,000	59,023	28,579
Alaska	1,975,000	1,942,826	940,731
Arizona	—	30,000	14,526
Arkansas	2,000,000	1,967,419	952,639
California	2,010,400	1,977,650	957,593
Colorado	—	30,000	14,526
Connecticut	1,140,000	1,121,429	543,004
Delaware	—	30,000	14,526
Florida	2,280,000	2,242,858	1,086,009
Georgia	100,000	98,371	47,632
Hawaii	—	30,000	14,526
Idaho	195,000	191,823	92,882
Illinois	2,000,000	1,967,419	952,639
Indiana	—	30,000	14,526
Iowa	1,276,200	1,255,410	607,879
Kansas	667,500	656,626	317,943
Kentucky	5,204,300	5,119,519	2,478,910
Louisiana	2,487,400	2,446,879	1,184,797
Maine	5,648,800	5,556,778	2,690,634
Maryland	977,000	961,084	465,364
Massachusetts	6,210,900	6,109,721	2,958,374
Michigan	1,268,000	1,247,344	603,973
Minnesota	1,970,000	1,937,908	938,350
Mississippi	1,500,000	1,475,564	714,479
Missouri	1,490,000	1,465,727	709,716
Montana	197,900	194,676	94,264
Nebraska	700,000	688,597	333,424
Nevada	—	30,000	14,526
New Hampshire	1,245,000	1,224,718	593,018
New Jersey	1,645,000	1,618,202	783,546
New Mexico	460,000	452,506	219,107
New York	4,454,000	4,381,442	2,121,528
North Carolina	7,800,100	7,673,032	3,715,341
North Dakota	461,000	453,490	219,583
Ohio	3,639,000	3,579,719	1,733,327
Oklahoma	1,376,500	1,354,076	655,654
Oregon	1,628,600	1,602,069	775,734
Pennsylvania	4,399,000	4,327,338	2,095,330
Rhode Island	1,612,500	1,586,232	768,065
South Carolina	1,742,400	1,714,015	829,939
South Dakota	2,193,500	2,157,767	1,044,807
Tennessee	1,810,000	1,780,514	862,139
Texas	4,397,700	4,326,059	2,094,711
Utah	70,000	68,860	33,342
Vermont	3,168,600	3,116,982	1,509,266
Virginia	6,353,700	6,250,195	3,026,392
Washington	1,189,000	1,169,631	566,344
West Virginia	2,151,000	2,115,959	1,024,563
Wisconsin	2,070,000	2,036,279	985,982
Wyoming	45,000	44,267	21,434
Puerto Rico	430,000	422,995	204,817
Trust Territories	—	30,000	14,526
Virgin Islands	—	30,001	14,529
Total, Available or Estimate	95,700,000	94,381,000	45,700,000

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1989 and Estimated 1990 and 1991

Rural Development Insurance Fund

Community Facilities Loan Program - Guaranteed

	1989 Amount	1990 Amount	1991 Amount
Alabama............	—	14,951	31,371
Alaska.............	—	492,129	1,032,626
Arizona............	—	10,000	20,983
Arkansas...........	—	498,358	1,045,696
California.........	—	500,950	1,051,135
Colorado...........	—	10,000	20,983
Connecticut........	—	284,064	596,047
Delaware...........	—	10,000	20,983
Florida............	—	568,128	1,192,094
Georgia............	—	24,918	52,285
Hawaii.............	—	10,000	20,983
Idaho..............	—	48,590	101,956
Illinois...........	—	498,358	1,045,696
Indiana............	—	10,000	20,983
Iowa...............	—	318,002	667,258
Kansas.............	—	166,327	349,001
Kentucky...........	—	1,296,803	2,721,060
Louisiana..........	—	619,808	1,300,533
Maine..............	—	1,407,563	2,953,466
Maryland...........	—	243,448	510,823
Massachusetts......	—	1,547,627	3,247,360
Michigan...........	—	315,959	662,972
Minnesota..........	—	490,883	1,030,012
Mississippi........	—	373,769	784,273
Missouri...........	—	371,277	779,044
Montana............	—	49,313	103,473
Nebraska...........	—	174,425	365,993
Nevada.............	—	10,000	20,983
New Hampshire......	—	310,228	650,946
New Jersey.........	—	409,900	860,086
New Mexico.........	—	114,549	240,356
New York...........	—	1,109,844	2,328,767
North Carolina.....	—	1,943,622	4,078,270
North Dakota.......	—	114,872	241,034
Ohio...............	—	906,763	1,902,646
Oklahoma...........	—	342,995	719,701
Oregon.............	—	405,813	851,511
Pennsylvania.......	—	1,096,139	2,300,010
Rhode Island.......	—	401,801	843,092
South Carolina.....	—	434,170	911,012
South Dakota.......	—	546,574	1,146,867
Tennessee..........	—	451,014	946,355
Texas..............	—	998,373	2,094,870
Utah...............	—	17,443	36,600
Vermont............	—	789,549	1,656,698
Virginia...........	—	1,583,209	3,322,021
Washington.........	—	296,274	621,667
West Virginia......	—	335,984	1,124,646
Wisconsin..........	—	515,801	1,082,297
Wyoming............	—	11,286	23,681
Puerto Rico........	—	107,147	224,825
Trust Territories..	—	10,000	20,983
Virgin Islands.....	—	10,000	20,983
Total, Available or Estimate.........	—	23,829,000	50,000,000

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1989 and Estimated 1990 and 1991

Rural Development Insurance Fund

Business and Industrial Development Loan Program

	1989 Amount	1990 Amount	1991 Amount
Alabama	2,500,000	2,250,000	—
Alaska	—	236,300	—
Arizona	260,000	234,000	—
Arkansas	—	236,300	—
California	—	236,300	—
Colorado	—	236,300	—
Connecticut	—	236,300	—
Delaware	—	236,300	—
Florida	850,000	765,000	—
Georgia	850,000	765,000	—
Hawaii	—	236,300	—
Idaho	—	236,300	—
Illinois	8,225,000	7,402,500	—
Indiana	—	156,300	—
Iowa	1,999,190	1,799,271	—
Kansas	3,160,000	2,844,000	—
Kentucky	1,197,000	1,077,300	—
Louisiana	600,000	540,000	—
Maine	5,800,000	5,220,000	—
Maryland	—	236,300	—
Massachusetts	1,376,000	1,238,400	—
Michigan	3,720,000	3,348,000	—
Minnesota	3,648,400	3,283,560	—
Mississippi	2,500,000	2,250,000	—
Missouri	1,495,000	1,345,500	—
Montana	—	236,300	—
Nebraska	1,510,000	1,359,000	—
Nevada	—	236,300	—
New Hampshire	—	156,300	—
New Jersey	2,000,000	1,800,000	—
New Mexico	—	236,300	—
New York	2,500,000	2,250,000	—
North Carolina	9,203,000	8,282,700	—
North Dakota	—	236,300	—
Ohio	1,609,000	1,448,100	—
Oklahoma	250,000	225,000	—
Oregon	—	236,300	—
Pennsylvania	2,515,000	2,263,500	—
Rhode Island	—	236,300	—
South Carolina	11,845,000	10,660,500	—
South Dakota	2,375,000	2,137,500	—
Tennessee	1,250,000	1,125,000	—
Texas	3,833,950	3,450,555	—
Utah	—	236,300	—
Vermont	—	236,300	—
Virginia	400,000	360,000	—
Washington	—	236,300	—
West Virginia	19,925,000	18,229,914	—
Wisconsin	1,725,000	1,552,500	—
Wyoming	—	236,300	—
Puerto Rico	—	236,300	—
Trust Territories	—	236,300	—
Virgin Islands	—	236,300	—
Drought & Disaster	—	70,000,000	70,000,000
Total, Available or Estimate	99,121,540	165,018,000 a/	70,000,000 a/

a/ Carryover available under P.L. 100-387 and P.L. 101-82.

RURAL DEVELOPMENT INSURANCE FUND

STATUS OF PROGRAM

The Farmers Home Administration (FmHA) provides a source of funding for water and waste disposal systems and essential community facilities to those rural communities that are unable to obtain private financing. Without the aid of the Federal Government, these communities, which are mainly low-income and sparsely populated, would have no other source of financing available with terms or conditions they could meet. Guaranteed loans are also made for the purpose of improving, developing, or financing businesses and industries through the business and industrial, drought and disaster, and disaster assistance for rural business enterprises loan programs.

The Water and Waste Disposal Loan Program assists eligible borrowers by providing assistance for these borrowers to obtain basic human amenities, to alleviate health hazards, to meet National Clean Water Standards and the requirements of the Safe Drinking Water Act, and to repair and replace components of existing infrastructure which are deteriorating with age. Substantial progress has been made in the provision of safe, modern water and waste systems throughout the country, however, significant problems still exist. The National Rural Community Facilities Assessment Study showed that in 1980, 25 percent of the existing rural area waste treatment plants were at or were exceeding design capacity, and would need a source of financing for upgrading or expanding in order to maintain the standards mandated by the Clean Water Act. A 1986 EPA Needs Survey of Cost Estimates for Construction of Publicly-Owned Wastewater Treatment Facilities indicated that rural areas with a population below 10,000 needed approximately $17 billion for these systems to be brought into compliance with the Clean Water Act of 1977. This survey also estimated that the entire nation's need was $59 billion, which means that the cost of upgrading sewer systems serving rural communities amounts to 29 percent of the nation's total needs.

Community Facility loans provide financial assistance for facilities for such purposes as public safety, including equipment for volunteer fire departments and rescue squads; health care, including clinics, nursing homes, and expansions and improvements to hospitals; and public service. The first priority of the Community Facility Loan Program is public safety, primarily to reduce the death rate from accidents and property loss from fire, to a rate comparable to urban areas. The second priority is health care facilities. Based on results of the National Rural Community Facilities Assessment Study, two percent of rural communities have no fire protection at all and over 40 percent of the rural communities with fire protection need additional water supplies, additional hydrants or tanker capacity. According to the USDA Office of Transportation there are 2.6 million miles of rural roads of which one-third are classified as barely adequate or worse. There are 470,000 bridges over 20 feet long of which half are structurally or functionally deficient and one-third are classified as intolerable or worse. These are but two examples of some 80 different types of facilities financed by the community facilities loan program.

The Guaranteed Business and Industrial Loan Program is designed to improve, develop, or finance business, industry, and employment and improve the economic and environmental climate in rural communities, including pollution abatement and control. This objective is achieved through enhancing the existing private credit market through the guarantee of quality loans which will provide lasting community benefits. Under the rural revitalization initiative, a new emphasis has been placed on this program to insure that maximum leverage of available funds is achieved by directing the funds to smaller-scale projects in order to create more jobs and give preference to those communities under the greatest economic stress.

The Disaster Assistance Act of 1988, P.L. 100-387, and the Disaster Assistance Act of 1989, P.L. 101-82, each made available $200 million in guaranteed loan authority. These business and industry type loans are available to certain entities to alleviate distress caused to rural business enterprises, directly or indirectly, by natural disasters occurring in 1988 and 1989. Guarantees may also be issued on existing debt, restructured or refinanced due to losses incurred because of such disasters.

Since inception of the Water and Waste Disposal loan Program in fiscal year 1937 through fiscal year 1989, over $10.1 billion in loan funds have been obligated to 16,692 rural areas and communities for developing needed water and waste disposal facilities. The losses on these loans have been minimal. Since the inception of the Community Facility Loan Program in fiscal year 1974 through fiscal year 1989, 5,735 loans have been obligated totaling about $2.6 billion. Guaranteed business and industrial loans were first made by the Agency in fiscal year 1974. Since then 7,348 loans have been guaranteed or insured for approximately $6.0 billion. As of September 30, 1989, approximately $544 million has been paid in loss settlements for this program.

In FY 1989 12 drought and disaster loans in the amount of $3.4 million, were guaranteed using funds made available by P.L. 100-387. Authority to guarantee loans under the Disaster Assistance Act for rural business enterprises program was not issued until late in the fiscal year, therefore, no loans were guaranteed in FY 1989 using this authority.

The interest rates for the water and waste disposal loans and community facility loans were changed in fiscal year 1982, as authorized by the Omnibus Budget Reconciliation Act of 1981. New direct loan interest rates are now based on the community's economic and health environment. The interest rates are designated as poverty, intermediate and market. The poverty rate is 5 percent. The intermediate rate is one-half the difference between the poverty rate and the market rate added to the poverty rate, but not to exceed 7 percent. The market rate is based on the current market yield for municipal bonds. Applicants are also allowed to choose between the interest rate in effect at the time of loan approval or loan closing. Interest rates for guaranteed loans are negotiated between the borrower and the lender.

Current Activities: The following table reflects the number and amount of loans for fiscal year 1989:

Obligations
(Dollars in Thousands)

	FY 1989 Actual	
	Number	Amount
Water and Waste Disposal Loans	679	$332,880
Community Facility Loans	304	95,700
Business and Industrial Loans	88	95,677
Disaster Assistance Act of 1988	12	3,445
Disaster Assistance Act of 1989	0	0
Total, RDIF	1,083	$527,702

FARMERS HOME ADMINISTRATION

The 1991 Budget Estimates include proposed changes in the language of this item as follows (new language underscored; deleted matter enclosed in brackets):

Rural Water and Waste Disposal Grants:

For grants pursuant to sections 306(a)(2) and 306(a)(6) of the Consolidated Farm and Rural Development Act, as amended (7 U.S.C. 1926), [$209,395,000] $100,000,000, to remain available until expended, pursuant to section 306(d) of the above Act.

Rural Water and Waste Disposal Grants

Appropriation Act, 1990		$209,395,000
Budget Estimate, 1991		100,000,000
Decrease in Appropriation		-109,395,000
Adjustment in 1990		
Appropriation Act, 1990	$209,395,000	
Gramm-Rudman-Hollings Reduction (P.L. 99-177)	-1,695,000	
Adjusted base for 1990		207,700,000
Budget estimate, 1991		100,000,000
Decrease from adjusted 1990		-107,700,000

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1989 Actual	1990 Estimated	Decrease	1991 Estimated
Rural water & waste disposal grants:				
Water supply	$ 64,848,560	$113,985,760	-$58,545,760	$55,440,000
Waste disposal	49,794,430	87,524,780	-44,954,780	42,570,000
Combination - water & waste disposal	1,158,010	2,035,460	-1,045,460	990,000
Technical assistance grants	1,094,000	4,154,000	-3,154,000	1,000,000
Total adjusted appropriation	116,895,000	207,700,000	-107,700,000(1)	100,000,000
Gramm-Rudman-Hollings Reduction	--	1,695,000		
Total appropriation	116,895,000	209,395,000		

The preceding tabulation is based on amounts included in appropriation acts. The following tabulation shows estimated obligations on an available funds basis, including balances brought forward from prior years.

PROJECT STATEMENT
(On basis of obligations under available funds)

Project	1989 Actual	1990 Estimated	Increase or Decrease	1991 Estimated
Rural water & waste disposal grants:				
Water supply	$ 68,526,812	$114,697,281	-$ 59,257,281	$ 55,440,000
Waste disposal	51,956,100	88,071,126	-45,501,126	42,570,000
Combination - water & waste disposal	1,121,600	2,048,166	-1,058,166	990,000
Technical assistance grants	1,094,000	4,154,000	-3,154,000	1,000,000
Total obligations	122,698,512	208,970,573	-108,970,573	100,000,000
Recovery of prior year obligations	-5,834,110	--	--	--
Unobligated balance available, start of year	-1,239,975	-1,270,573	+1,270,573	--
Unobligated balance available, end of year	1,270,573	--	--	--
Total adjusted appropriation	116,895,000	207,700,000	-107,700,000	100,000,000

Staff-years are reflected on the Salaries and Expenses Project Statement.

EXPLANATION OF PROGRAM

Section 306 of the Consolidated Farm and Rural Development Act, as amended, provides appropriation authority for grants for the development costs of water and waste disposal projects in rural areas.

Development grants may be made to associations, including corporations operating on a nonprofit basis, municipalities, authorities, districts, certain Indian tribes, and similar organizations generally designated as public or quasi-public agencies, that propose projects for development of storage, treatment, purification, or distribution of domestic water or the collection, treatment, or disposal of waste in rural areas. Grants may be made to assist eligible applicants to pay for part of the development cost of such projects if necessary to reduce user charges to a reasonable level. In addition, grants may be made to private nonprofit organizations that have experience in providing technical assistance and training for such purposes as assisting in identifying and evaluating alternative solutions to problems relating to water and waste disposal, preparing applications, and improving operation and maintenance practices at existing plants. Combined loans and grants may be made when the applicant is able to repay part, but not all, of the project costs.

Grants also may be made to supplement other funds borrowed or furnished by applicants to pay development costs. An eligible project must serve a rural area which is not likely to decline in population below that for which the project was designed, and it must be designed and constructed so that adequate capacity will be or can be made available to serve the reasonably foreseeable growth needs of the area.

Water and waste disposal grants may not exceed 75 percent of the development cost of the project. The development cost may include the cost of construction of the proposed facility including rights-of-way, land rights, water rights, engineering fees, and legal fees.

JUSTIFICATION OF DECREASE

(1) A decrease of $107,700,000 for rural water and waste disposal grants ($207,700,000 available in 1990).

Need for Change. The Administration recognizes the need to continue financial assistance to low-income communities to aid their efforts in providing basic public services and in meeting Federal water quality and drinking water standards. In response the Department directed assistance to low- and very low-income communities. The 1991 budget reflects the Administration's continuing concern for rural communities by proposing $100 million be made available to support water and waste disposal grants primarily for very low-income communities.

Nature of Change. The program level will provide 264 grants in FY 1991.

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1989 and Estimated 1990 and 1991

Rural Water and Waste Disposal Grant Program

	1989 Amount	1990 Amount	1991 Amount
Alabama............	3,019,870	5,118,582	2,415,896
Alaska.............	--	250,000	100,000
Arizona............	679,700	1,152,069	1,984,950
Arkansas...........	13,095,200	22,195,939	10,476,160
California.........	3,146,700	5,333,554	2,517,360
Colorado...........	581,800	986,132	465,440
Connecticut........	1,148,900	1,947,348	919,120
Delaware...........	584,100	990,031	467,280
Florida............	3,964,900	6,720,377	3,171,920
Georgia............	1,924,800	3,262,474	1,539,840
Hawaii.............	—	250,000	100,000
Idaho..............	653,000	1,106,814	522,400
Illinois...........	3,522,000	5,969,676	2,817,600
Indiana............	849,400	1,439,705	679,520
Iowa...............	2,612,400	4,427,933	2,089,920
Kansas.............	618,800	1,048,846	495,040
Kentucky...........	3,489,100	5,913,911	2,791,280
Louisiana..........	2,614,500	4,431,493	2,091,600
Maine..............	4,403,900	7,464,468	3,523,120
Maryland...........	1,026,800	1,740,393	821,440
Massachusetts......	3,154,600	5,346,945	2,523,680
Michigan...........	4,056,000	6,874,789	3,244,800
Minnesota..........	2,779,700	4,711,501	2,223,760
Mississippi........	3,932,100	6,664,782	3,145,680
Missouri...........	3,055,000	5,178.126	2,444,000
Montana............	424,000	718,666	339,200
Nebraska...........	804,400	1,363,432	643,520
Nevada.............	958,900	1,625,304	767,120
New Hampshire......	1,650,000	2,796,697	1,320,000
New Jersey.........	1,078,000	1,827,175	862,400
New Mexico.........	240,700	407,979	192,560
New York...........	4,131,800	7,003,267	3,305,440
North Carolina.....	6,355,000	10,771,519	5,084,000
North Dakota.......	505,000	855,959	404,000
Ohio...............	4,358,000	7,386,669	3,486,400
Oklahoma...........	2,698.300	4,573,531	2,158,640
Oregon.............	1,624,600	2,753,644	1,299,680
Pennsylvania.......	4,960.100	8,407,209	3,968,080
Rhode Island.......	274,212	464,780	219,370
South Carolina.....	2,415,000	4,093,347	1,932,000
South Dakota.......	949,500	1,609,372	759,600
Tennessee..........	3,442,600	5,835,095	2,754,080
Texas..............	4,803,000	8,140,929	3,842,400
Utah...............	673,100	1,140,883	538,480
Vermont............	800,000	1,355,974	640,000
Virginia...........	4,056,900	6,876,314	3,245,520
Washington.........	1,176,900	1,994,807	941,520
West Virginia......	2,360,000	4,000,123	1,888,000
Wisconsin..........	2,260,700	3,831,813	1,808,560
Wyoming............	692,250	1,173,341	553,800
Puerto Rico........	4,092,280	6,936,282	3,273,824
Trust Territories.	—	250,000	100,000
Virgin Islands....	—	250,000	100,000
Total, Available or Estimate........	122,698,512	208,970,000	100,000,000

RURAL WATER AND WASTE DISPOSAL GRANTS

STATUS OF PROGRAM

The Water and Waste Disposal Grant Program is designed to provide financial assistance for the development of water and waste disposal systems to alleviate health hazards, and to meet national safe drinking water and clean water standards in rural areas without the financial capability to do so on their own.

Current Activities: The Farmers Home Administration is the lead Federal agency for providing funds to rural America for water and waste disposal systems. In the administration of the water and waste disposal loan and grant programs, a great amount of uniformity is achieved as a result of the organization of FmHA between and within the States. Through FmHA organizational structure and authority more than just financial assistance is provided to rural communities. Such forms of assistance include engineering ~~and other~~ technical expertise, loan/grant mix ratio, fiduciary services, and organizational and operating assistance. Whenever possible, joint funding is provided by other Federal, State and local agencies and private lenders; therefore, minimizing the use of FmHA water and waste disposal loan and grant funds.

During fiscal year 1989, 344 grants were obligated for a total of $122,698,512, including 3 grants totaling $1,094,000 for technical assistance and training.

FARMERS HOME ADMINISTRATION

The 1991 Budget Estimates include proposed language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Rural Housing for Domestic Farm Labor:

For financial assistance to eligible nonprofit organizations for housing for domestic farm labor, pursuant to section 516 of the Housing Act of 1949, as amended (42 U.S.C. 1486), [$11,000,000] $10,000,000, to remain available until expended.

Rural Housing for Domestic Farm Labor

Appropriation Act, 1990		$11,000,000
Budget Estimate, 1991		10,000,000
Decrease in Appropriation		-1,000,000
Adjustment in 1990:		
Appropriation Act, 1990	$11,000,000	
Gramm-Rudman-Hollings Reduction (P.L. 99-177)	-138,000	
Adjusted base for 1990		10,862,000
Budget estimate, 1991		10,000,000
Decrease from adjusted 1990		-862,000

PROJECT STATEMENT
(On basis of adjusted appropriation
and on basis of obligations under available funds)

Project	1989 Actual	1990 Estimated	Increase or Decrease	1991 Estimated
Rural housing for domestic farm labor grants	$9,734,294	$12,936,797	-$2,936,797	$10,000,000
Unobligated balance available, start of year	-450,011	-2,074,797	+2,074,797	--
Recovery of prior year obligations	-1,846,080	--	--	--
Unobligated balance available, end of year	2,074,797	--	--	--
Total adjusted appropriation	9,513,000	10,862,000	-862,000(1)	10,000,000
Gramm-Rudman-Hollings Reduction	--	138,000		
Total appropriation	9,513,000	11,000,000		

Staff-years are reflected in the Salaries and Expenses Project Statement.

EXPLANATION OF PROGRAM

Under section 516 of the Housing Act of 1949, FmHA is authorized to share with state or other political subdivisions, public or private nonprofit organizations, or nonprofit organizations of farmworkers, the cost of providing low-rent housing, basic household furnishings, and related facilities to be used by domestic farm laborers. Such housing may be for year-round or seasonal occupancy, and may consist of family unit apartments or dormitory-type units, constructed in an economical manner. Grant assistance may not exceed 90 percent of the total development cost. Applicants furnish as much of the development cost as they can afford by using their own resources, by borrowing either from private sources or obtaining an insured loan under section 514 of the Housing Act. The applicant must agree to charge rents that do not exceed amounts approved by the Secretary, maintain the housing in a safe and sanitary condition, and give occupancy preference to domestic farm laborers.

The obligations incurred by the applicant as a condition of the grant continue for 50 years from the date of the grants unless terminated sooner by Farmers Home Administration. Grant obligations are secured by a mortgage on the housing or other security. In the event of default, the Farmers Home Administration has the option to require repayment of the grant.

Justification of Decrease

(1) A decrease of 862,000 for rural housing for domestic farm labor (10,862,000 available in FY 1990).

Need for Change. The administration recognizes the need to continue financial assistance for this program. The reduction of $1 million in grants is more than offset by the nearly $5 million increase in the Section 514 Farm Labor Housing Loan Program. The Agency can also provide assistance through its Section 521 Rural Rental Assistance Payment Program.

Nature of Change. The requested amount will provide assistance for 465 housing units in combination with the $16.3 million requested for the loan program involving the award of 11 grants.

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1989 and Estimated 1990 and 1991

Rural Housing for Domestic Farm Labor Grant Program

	1989 Amount	1990 Amount	1991 Amount
California.........	4,259,480	5,138,503	4,012,294
Delaware...........	---	140,000	100,000
Florida............	4,826,534	5,818,968	4,545,326
Maryland...........	---	140,000	100,000
New Jersey.........	577,000	719,529	542,380
New York...........	---	140,000	100,000
North Carolina.....	---	140,000	100,000
Oregon.............	71,280	140,000	100,000
Pennsylvania.......	---	140,000	100,000
Tennessee..........	---	140,000	100,000
Washington.........	---	140,000	100,000
Virginia...........	---	140,000	100,000
Total, Available or Estimate........	9,734,294	12,937,000	10,000,000

RURAL HOUSING FOR DOMESTIC FARM LABOR GRANTS (SEC. 516)

STATUS OF PROGRAM

The Rural Housing for Domestic Farm Labor Grant Program reduces the cost of moderately constructed housing, and provides for basic household furnishings and related facilities for domestic farm labor. By providing grant funds for such projects, long-term loan indebtedness is reduced thus making possible lower rent levels that domestic farmworkers can afford. These grants may be made simultaneously with farm labor housing loans.

Current Activities: During fiscal year 1989, 6 grants and 5 service contracts totaling $9,734,294 were obligated. The grants, together with $11,445,619 in loans are expected to finance the construction of 404 new units and the rehabilitation of 868 existing units.

FARMERS HOME ADMINISTRATION

The 1991 Budget Estimates include language for this item as follows (deleted matter enclosed in brackets):

Mutual and Self-Help Housing:

> [For grants and contracts pursuant to section 523(b)(1)(A) of the Housing Act of 1949 (42 U.S.C. 1490c), $8,750,000.]

This change eliminates the appropriation language for this program. No appropriation is requested in fiscal year 1991.

Mutual and Self-Help Housing

Appropriation Act, 1990	$8,750,000
Budget Estimate, 1991	--
Decrease in Appropriation	-8,750,000

Adjustment in 1990		
Appropriation Act, 1990	$8,750,000	
Gramm-Rudman-Hollings Reduction (P.L. 99-177)	-116,000	
Adjusted base for 1990		8,634,000
Budget estimate, 1991		--
Decrease from adjusted 1990		-8,634,000

PROJECT STATEMENT

(On basis of adjusted appropriation and on basis of obligations under available funds)

Project	1989 Actual	1990 Estimated	Increase or Decrease	1991 Estimated
Mutual and self-help housing grants	$10,200,005	$15,493,270	-$15,493,270	--
Recovery of prior year obligations	-516,766	--	--	--
Unobligated balance available, start of year	-8,542,509	-6,859,270	+6,859,270	--
Unobligated balance available, end of year	6,859,270	--	--	--
Total adjusted appropriation	8,000,000	8,634,000	-8,634,000(1)	--
Gramm-Rudman-Hollings Reduction	--	116,000		
Total appropriation	8,000,000	8,750,000		

Staff-years are reflected in the Salaries and Expenses Project Statement.

EXPLANATION OF PROGRAM

This grant program is authorized under section 523 of the Housing Act of 1949, as amended. Grants are made to local organizations to promote the development of mutual or self-help housing programs under which groups of usually six to ten families build their own homes by mutually exchanging labor. Funds may be used to pay the cost of construction supervisors who will work with families to guide them in the construction of their homes and for administrative expenses of the organizations providing the self-help assistance.

This program also provides for contract funds for training to be provided to members and staff of self-help technical assistance grant recipient organizations which sponsor and supervise self-help projects.

JUSTIFICATION OF DECREASE

(1) A decrease of $8,634,000 for mutual and self-help housing ($8,634,000 available in FY 1990).

Need for Change. This program is proposed for termination. The Agency has other programs that provide assistance to low and very low-income families to obtain adequate housing. The Rural Housing Voucher Program and the Section 521 Rental Assistance Payment Program provide a greater choice of housing opportunities to eligible program recipients.

Nature of Change. No appropriation is requested for FY 1991.

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1989 and Estimated 1990 and 1991

Mutual and Self-Help Housing Grants

	1989 Amount	1990 Amount	1991 Amount
Arizona.............	703,450	984,830	—
Arkansas............	136,000	180,000	—
California..........	3,980,700	5,579,334	—
Colorado............	313,370	438,718	—
Florida.............	1,845,749	2,590,403	—
Maryland............	—	180,000	—
Massachusetts.......	—	180,000	—
Michigan............	50,520	180,000	—
Mississippi.........	377,560	528,584	—
Missouri............	—	180,000	—
New Mexico..........	378,690	530,166	—
North Carolina......	—	180,000	—
Ohio................	—	180,000	—
Oklahoma............	1,779,860	2,498,159	—
Texas...............	—	180,000	—
Washington..........	516,290	722,806	—
Wisconsin...........	117,811	180,000	—
Total, Available or Estimate.........	10,200,000	15,493,000	—

MUTUAL AND SELF-HELP HOUSING GRANTS (SEC. 523)

STATUS OF PROGRAM

The Mutual and Self-Help Housing Grant Program is directed toward the development and construction of efficient, modest housing through the mutual self-help concept. Financial assistance is provided to local organizations for the purpose of giving technical and supervisory assistance in construction techniques to enable groups of low and very low-income income families to build their homes through the mutual exchange of labor.

Current Activities: During fiscal year 1989, 26 grants and 9 technical and management training contracts were obligated. The total obligations amounted to $10,200,005, of which $8,306,160 was for grants and $1,893,845 was for technical and management training contracts. Approximately 980 families are provided technical and supervisory assistance to build their homes.

FARMERS HOME ADMINISTRATION

The 1991 Budget Estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

SALARIES AND EXPENSES

For necessary expenses of the Farmers Home Administration, not otherwise
provided for, in administering the programs authorized by the Consolidated
Farm and Rural Development Act (7 U.S.C. 1921-2000), as amended; title V of
the Housing Act of 1949, as amended (42 U.S.C. 1471-1490o); the Rural
Rehabilitation Corporation Trust Liquidation Act, approved May 3, 1950 (40
U.S.C. 440-444), for administering the loan program authorized by title III
A of the Economic Opportunity Act of 1964 (Public Law 88-452 approved August
20, 1964), as amended, and such other programs which Farmers Home
Administration has the responsibility for administering, [$422,934,000]
$447,787,000, together with not more than $3,000,000 of the charges
collected in connection with the insurance of loans as authorized by section
309(a) of the Consolidated Farm and Rural Development Act, as amended, and
section 517(i) of the Housing Act of 1949, as amended, or in connection with
charges made on borrowers under section 502(a) of the Housing Act of 1949,
as amended: Provided, That, in addition, not to exceed $1,000,000 of the
funds available for the various programs administered by this agency may be
1 transferred to this appropriation for temporary [field] employment pursuant
to the second sentence of section 706(a) of the Organic Act of 1944 (7
U.S.C. 2225), to meet unusual or heavy workload increases: Provided
further, That not to exceed $500,000 of this appropriation may be used for
2 employment under 5 U.S.C. 3109: [Provided further, That not to exceed
$3,234,000 of this appropriation shall be available for contracting with the
National Rural Water Association or other equally qualified national
organization for a circuit rider program to provide technical assistance for
rural water systems: Provided further, That notwithstanding any other
provision of law, $1,000,000 of this appropriation shall be available solely
to carry out the Lower Mississippi Delta Development Act, as incorporated by
reference in Public Law 100-460, that all funds appropriated to carry out
the purposes of the Lower Mississippi Delta Development Act shall be
available for obligation and expenditure through September 30, 1990, or the
date of expiration of the Commission, which ever shall occur first, and that
notwithstanding section 10(a) of the Delta Development Act, the date for the
submission of the Commission's interim report is extended to October 16,
3 1989: Provided further, That, in addition to any other authority that the
Secretary may have to defer principal and interest and forego foreclosure,
the Secretary may permit, at the request of the borrowers, the deferral of
principal and interest on any outstanding loan made, insured, or held by the
Secretary under this title, or under the provisions of any other law
administered by the Farmers Home Administration, and may forego foreclosure
of any such loan, for such period as the Secretary deems necessary upon a
showing by the borrower that due to circumstances beyond the borrower's
control, the borrower is temporarily unable to continue making payments of
such principal and interest when due without unduly impairing the standard
of living of the borrower. The Secretary may permit interest that accrues
during the deferral period on any loan deferred under this section to bear
no interest during or after such period: Provided, That, if the security
instrument securing such loan is foreclosed, such interest as is included in
the purchase price at such foreclosure shall become part of the principal
and draw interest from the date of foreclsoure at the rate prescribed by
law].

OFFICE OF THE ADMINISTRATOR

4 [For necessary salaries and expenses of the Office of the Adminstrator of the Farmers Home Administration, $600,000: Provided, That no other funds in this act shall be available for this office.]

The first change deletes language restricting the use of temporary employment funded by a transfer from ACIF to use in field offices in order to utilize such employment in all offices.

The second change deletes language limiting the amount for contracting for the circuit rider program. In order to ensure that the function is carried out properly, the Agency needs the flexibility to bargain with the contractor. This change also deletes language pertaining to providing additional funding for the Lower Mississippi Delta Development Act in 1991.

The third change deletes the language deferring principal and interest in certain cases and under certain foreclosure practices which is already incorporated into Agency regulations.

The fourth change eliminates the separate appropriation language for the account. To provide for a more efficient operation, it is proposed that the Administrator's costs be funded from the Farmers Home Administration Salaries and Expenses Appropriation.

FARMERS HOME ADMINISTRATION

SALARIES AND EXPENSES

	Appropriation	Transfer from Rural Housing & Agricultural Credit Insurance Funds	Transfer from Agricultural Credit Insurance Fund for Temporary Field Employment	Total
Appropriation Act, 1990:				
Salaries & Expenses..	$422,934,000	$3,000,000	$1,000,000	$426,934,000
Office of the Administrator.	600,000	--	--	600,000
Total Appropriation, 1990.	423,534,000	3,000,000	1,000,000	427,534,000
Budget estimate, 1991.	447,787,000	3,000,000	1,000,000	451,787,000
Increase in appropriation..	+24,253,000	--	--	+24,253,000

SUMMARY OF INCREASES AND DECREASES
(on basis of appropriation)

Item of Change	1990 Estimated	Increase or Decrease	1991 Estimated
Increased staff years.... .	--	+$21,875,000	+$21,875,000
Increased operating costs related primarily to leases......	--	+2,378,000	+2,378,000
All other expenses for administration of grant and direct and insured loan program	$427,534,000	--	427,534,000
Total, Available.	427,534,000	+24,253,000	451,787,000

PROJECT STATEMENT
(on basis of appropriation)

Project	1989 Actual		1990 Estimated		Increase or Decrease	1991 Estimated	
	Amount	Staff Years	Amount	Staff Years		Amount	Staff Years
Low-income housing assistance........	$233,109,760	5,696	$243,118,800	5,504	+$9,552,200	$252,671,000	5,553
Moderate income housing assistance.	33,517,713	819	32,465,900	735	+68,100	32,534,000	715
Farm loan programs assistance	124,494,362	3,042	130,658,700	2,958	+17,904,300	148,563,000	3,265
Community programs assistance...	16,124,516	394	17,756,900	402	-2,649,900	15,107,000	332
Loans for associations or groups ...	695,728	17	706,700	16	+21,300	728,000	16
Business and Industry assistance a/........ ...	2,373,660	58	2,827,000	64	-643,000	2,184,000	48
Total, administration of grant and direct and insured loan programs.......	410,315,739	10,026	427,534,000	9,679	+24,253,000	451,787,000	9,929
Unobligated balance.	6,201,758	--	--	--	--	--	--
Total available or estimate...	416,517,497	10,026	427,534,000	9,679	(1) +24,253,000	451,787,000	9,929
Transfer from Rural Housing & Agricultural Credit Insurance Funds.........	--		-3,000,000				
Transfer from Agricultural Credit Insurance Fund....	-1,000,000		-1,000,000				
Transfer from Rental Payments...	-183,497		--				
Total Appropriation	415,334,000	10,026	423,534,000	9,579			

a/ Includes Disaster Assistance

EXPLANATION OF PROGRAM

Funds appropriated to this account are used to administer the various loan and grant programs of the Farmers Home Administration, with the exception of Emergency, Watershed, Flood and Resource Conservation and Development loans. Funds are made available from the Agricultural Credit Insurance Fund to provide for the Emergency Disaster Program. An annual allotment is received from the Soil Conservation Service to fund the costs of administering Watershed, Flood, and Resource Conservation and Development loans. Administration of the programs includes the reviewing of applications, making and collecting loans, and extending technical assistance to borrowers.

JUSTIFICATION OF INCREASES AND DECREASES

(1) A net increase of $24,253,000 for the administration of loan and grant programs consisting of :

(a) An increase of $21,875,000 for financing an increase in staff years.

Need for Change. For fiscal year 1991, the agency proposes an increase in staffing from the 12,825 ceiling in FY 1990 to 13,250 for 1991, an increase of 425 staff years. The ceiling of 12,825 includes the advance hiring of 100 staff years that will take place in fiscal year 1990 and will be funded by transfers from the ACIF. These staff years and the 425 staff year increase in 1991 will provide a total of 525 staff years to be funded by the appropriation in fiscal year 1991. This increase in staff years will cost $21,875,000.

These additional staff years will be concentrated in three major areas: (1) assigning personnel to handle an estimated increase of 22,000 new farms that will be taken into inventory over a two year period under new farm regulations; (2) assigning personnel exclusively for purposes of increased servicing of those farm and housing borrowers most in need of financial and counseling activities; and (3) supplementing the National Appeals Staff to settle the increasing number of appeals as a result of more complex farm credit servicing activities.

These personnel resources will be concentrated in those areas of greatest need of servicing related to delinquencies, inventory property management, bankruptcy and those loans in litigation.

Nature of Change. The Agency will fund 525 staff year increase in fiscal year 1991.

(b) An increase of $2,378,000 for increased lease costs.

Need for Change: The Agency's commercial lease costs have increased due to market rate changes and a gradual shift from GSA space to commercial space. The Agency does consider co-located space whenever possible.

Nature of Change: The Agency will fund increased lease costs in FY 1991 primarily out of appropriated funds.

FARMERS HOME ADMINISTRATION

Positions Filled, Staff-Years and Average Grade and Salary by Organizational Unit

Organizational Unit	Positions Filled At End of Year		Staff-Years	Permanent Full-time	
	Permanent Full-time	Other		Average Grade	Average Salary
FISCAL YEAR 1989:					
National Office	545	36	565	10.50	$34,270
Finance Office and Field Support	909	43	951	7.45	24,320
State Offices	1,663	129	1,776	9.35	30,510
District Offices	1,321	104	1,440	9.40	30,680
County Offices	7,121	3,278	8,291	7.10	23,170
Total, FmHA	11,559	3,590 1/	13,023	7.83	25,555
FISCAL YEAR 1990: (estimate)					
National Office	584	40	610	10.50	35,500
Finance Office and Field Support	985	60	1,040	7.50	25,360
State Offices	1,700	140	1,800	9.35	31,610
District Offices	1,360	115	1,460	9.40	31,780
County Offices	7,709	3,645	8,415	7.12	24,070
Total, FmHA	12,338	4,000 1/	13,325	7.86	26,575
FISCAL YEAR 1991: (estimate)					
National Office	584	40	610	10.50	36,750
Finance Office and Field Support	985	60	1,040	7.50	26,250
State Offices	1,700	140	1,820	9.35	32,720
District Offices	1,360	115	1,480	9.40	32,890
County Offices	7,734	3,645	8,800	7.12	24,910
Total, FmHA	12,363	4,000 1/	13,750	7.86	27,505

1/ Includes non-ceiling employees such as Stay-in-School: FY 1989, 284; FY 1990, 300; and FY 1991, 300.

FARMERS HOME ADMINISTRATION
Salaries and Expenses
Obligations by Organizational Unit 1/
(in thousands rounded)

Organizational Unit	Obligations			
	Personnel Comp. and Benefits	Travel	All Other	Total
FISCAL YEAR 1989:				
National Office	$25,971	$1,386	$6,154	$33,510
Finance Office and Field Support	30,539	908	7,496	38,943
State Offices	59,760	6,210	13,999	79,969
District Offices	49,246	3,450	11,351	64,047
County Offices	225,029	7,590	65,351	297,971
Total, FmHA	390,545	19,544	104,351	514,440
Less Allocations from other accounts	-79,366	-4,054	-20,373	-103,793
Total, S&E, FmHA	311,179	15,490	83,978	410,647
FISCAL YEAR 1990: (estimate)				
National Office	29,200	1,500	7,900	38,600
Finance Office and Field Support	35,300	1,600	9,900	46,800
State Offices	63,100	6,750	16,700	86,550
District Offices	52,000	3,750	13,500	69,250
County Offices	238,439	8,231	77,382	324,052
Total, FmHA	418,039	21,831	125,382	565,252
Less Allocations from other accounts	-102,202	-5,345	-29,496	-137,043
Total, S&E, FmHA	315,837	16,486	95,886	428,209
FISCAL YEAR 1991: (estimate)				
National Office	30,500	1,550	7,900	39,950
Finance Office and Field Support	36,800	1,650	9,900	48,350
State Offices	66,600	7,000	16,800	90,400
District Offices	55,000	3,900	13,600	72,500
County Offices	261,173	8,743	80,460	350,376
Total, FmHA	450,073	22,843	128,660	601,576
Less Allocations from other accounts	-112,358	-5,709	-31,031	-149,098
Total, S&E, FmHA	337,715	17,134	97,629	452,478

1/ Includes reimbursable obligations.

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1989 Actual and Estimated 1990 and 1991

Salaries and Expenses

	1989 Staff Years	1989 Amount	1990 Staff Years	1990 Amount	1991 Staff Years	1991 Amount
Alabama	302	12,034,976	293	12,500,783	304	13,344,636
Alaska	25	996,273	27	1,160,787	28	1,229,111
Arizona	110	4,383,600	111	4,732,439	115	5,048,135
Arkansas	373	14,864,391	369	15,759,915	383	16,812,486
California	256	10,201,834	256	10,938,185	266	11,676,557
Colorado	123	4,901,662	123	5,268,187	128	5,618,794
Connecticut	31	1,235,378	31	1,339,370	33	1,448,595
Delaware	50	1,992,546	52	2,232,283	54	2,370,429
Florida	211	8,408,543	208	8,884,485	216	9,481,715
Georgia	332	13,230,503	339	14,465,191	352	15,451,684
Hawaii	44	1,753,440	46	1,964,409	48	2,107,048
Idaho	169	6,734,804	169	7,232,596	176	7,725,842
Illinois	331	13,190,652	333	14,197,317	345	15,144,406
Indiana	264	10,520,641	258	11,027,476	268	11,764,350
Iowa	382	15,223,049	393	16,786,765	408	17,909,906
Kansas	223	8,886,754	223	9,509,524	231	10,140,168
Kentucky	341	13,589,161	348	14,867,002	362	15,890,652
Louisiana	306	12,194,379	304	12,991,885	316	13,871,398
Maine	179	7,133,313	177	7,545,115	183	8,033,120
Maryland	68	2,709,862	68	2,901,967	71	3,116,675
Massachusetts	77	3,068,520	80	3,393,070	83	3,643,437
Michigan	277	11,038,703	279	11,920,389	290	12,730,081
Minnesota	320	12,752,292	332	14,152,672	344	15,100,509
Mississippi	486	19,367,544	508	21,697,965	528	23,177,526
Missouri	392	15,621,558	390	16,652,828	405	17,778,216
Montana	126	5,021,215	136	5,803,935	141	6,189,453
Nebraska	212	8,448,394	228	9,732,752	237	10,403,549
Nevada	30	1,195,527	31	1,339,370	33	1,448,595
New Hampshire	45	1,793,291	47	2,009,054	49	2,150,945
New Jersey	102	4,064,793	108	4,598,502	112	4,916,445
New Mexico	121	4,821,960	114	4,866,376	118	5,179,826
New York	281	11,198,107	287	12,232,909	298	13,081,255
North Carolina	479	19,088,587	478	20,403,239	496	21,772,827
North Dakota	239	9,524,368	236	10,089,917	245	10,754,723
Ohio	262	10,440,939	252	10,759,602	262	11,500,969
Oklahoma	315	12,553,038	313	13,349,050	325	14,266,470
Oregon	130	5,180,619	136	5,803,935	141	6,189,453
Pennsylvania	260	10,361,237	264	11,250,704	274	12,027,731
Rhode Island	16	637,615	17	714,330	17	746,246
South Carolina	254	10,122,132	268	11,429,287	278	12,203,319
South Dakota	227	9,046,157	244	10,402,437	253	11,105,898
Tennessee	351	13,987,670	358	15,268,813	371	16,285,724
Texas	567	22,595,468	579	24,689,224	600	26,338,098
Utah	106	4,224,197	110	4,687,793	114	5,004,239
Vermont	88	3,506,880	86	3,660,943	89	3,906,818
Virginia	275	10,959,001	277	11,831,098	288	12,642,287
Washington	143	5,698,681	144	6,161,100	150	6,584,524
West Virginia	162	6,455,848	161	6,875,430	167	7,330,771
Wisconsin	304	12,114,678	306	13,036,530	317	13,915,295
Wyoming	85	3,387,328	85	3,616,298	88	3,862,921
Puerto Rico	202	8,049,884	222	9,464,878	230	10,096,271
Trust Territories	25	996,273	28	1,205,433	29	1,273,008
Virgin Islands	12	478,211	10	446,457	11	482,865
Subtotal	11,091	441,986,475	11,245	479,852,000	11,670	512,276,000
National Office	556	33,509,952	590	38,600,000	590	39,950,000
Finance Office and Field Support	924	38,943,472	990	46,800,000	990	49,350,000
Total, Available or Estimate	12,571	514,439,899	12,825	565,252,000	13,250	601,576,000

1/ Does not include non-ceiling staff-years.

SALARIES AND EXPENSES

STATUS OF PROGRAM

This account is used to finance the operating expenses incurred in the administration of the programs of the Farmers Home Administration (FmHA) and in the performance of other assigned functions. The fund availability consists of direct appropriations, authorized transfers from the Agricultural Credit Insurance Fund and the Rural Housing Insurance Fund, allocations from the Soil Conservation Service, and miscellaneous reimbursements from other sources.

The principal activities of the Agency include the making and servicing of farm, housing, and rural development loans and grants.

The following is a brief description of some of the major management initiatives currently being carried out in FmHA:

NATIONAL APPEALS STAFF

The National Appeals Staff (NAS) of FmHA began operations on July 12, 1988, with staff located throughout the country. NAS receives appeal requests on all decisions rendered by FmHA on program matters. It conducts hearings on the appeals in the state of the appellant and issues decisions to reverse, uphold or modify the FmHA decision. NAS also conducts reviews of hearing officers' decisions in response to requests from appellants. From July 1988 through September 1989, NAS received approximately 9,500 appeal requests, conducted 4,500 hearings, issued 3,550 hearing decisions, issued almost 400 review decisions and generated over 400 resolutions of appeals without decisions.

NAS was initially organized to have a staff of 85 to handle 5,000 appeal requests per year. However, appeal requests have far exceeded those expectations and NAS has been recently expanded to 135 staff years to accommodate requests up to 12,000 per year. The Agricultural Credit Act of 1987 established NAS and also required certain timeframes for the appeals process.

AUTOMATION INITIATIVES

Automated Information Services (AIS) is in the process of implementing dozens of initiatives to meet the changing and increasingly complex Agency automation mission.

Relational Data Base Management System - The Oracle relational data base management system (RDBMS) was purchased in June 1989. This RDBMS will allow FmHA to replace current software tools with a far more powerful, user friendly, and more effective package. It will be used primarily for new developmental efforts.

Automated Field Management System (AFMS) - Work has been initiated to develop a new Farm Financial System to address all Farmer Program requirements at the County Office level. In addition, a project plan is currently being defined to address District Office requirements. The Management Records System (MRS) has been implemented as a State-wide pilot in South Carolina. The State pilot-test is part of a phased evaluation and testing of MRS and builds upon the four-County Office pilot that has been underway since late spring. A group of State Directors will evaluate the software and the South Carolina experience later this year, and will determine whether MRS will be implemented in other States.

Telecommunications - Efforts have been initiated to evaluate new telecommunication systems that would provide expanded capabilities and lower annual operating costs. The result will be a more efficient, user friendly and reliable system that will allow the unencumbered movement of data and documents between all FmHA offices.

Strategic Plan - A comprehensive ADP/IRM strategic planning effort was begun in September 1989 to guide FmHA automation efforts. Agency personnel will be given an opportunity to identify their information needs and to make recommendations on how to better focus the automation program.

Resource Management System (RMS) - The RMS is FmHA's work measurement system, which currently operates as a "hard copy" mail-based system. Agency automation has developed to the point that management information needs can be accommodated through totally automated data collection systems. Utilizing the MFWS will allow us to replace the current RMS manual "hard copy" data acquisition system with one that imposes a minimum of field office reporting. Development of this automated system commenced in FY 1988 and will be phased into operation beginning in 1990. This system implements one-time data entry, information sharing, and corporate data base features for work measurement and related purposes. In addition, the entire system concept of the RMS as a productivity measurement and management system will be revised to incorporate quality/result measures and various other management information needs. Under Phase II of this project a relational data base structure will be developed. This system will allow on-line access to the data base for creation of individualized output reports and analyses. The RMS is a vital part of the Agency's management and distribution system for field office staff resources and position classification, and is the basis for Salary and Expense Budget projections and appropriation request justifications.

DEBT MANAGEMENT

Secondary Market for Guaranteed FmHA Loans - The Agriculutral Credit Act of 1987 mandated FmHA to create a new structure to expand and promote the secondary market for its guaranteed farm loans. A new structure was envisioned and draft regulations have been written. This structure allowed loans to be sold individually as they now are. It also provided for pooling of loans and guaranteeing timely payment to owners of certificates in those loan pools (as provided for in the legislation). However, this structure may result in all secondary market activity being placed "on budget," and subject to Gramm-Rudman-Hollins constraints. FmHA is revisiting the proposed structure, to identify alternatives that would solve the budget issue.

Collecting by IRS Offset - FmHA has cooperated with the Internal Revenue Service (IRS) to offset tax refunds that would otherwise be paid to delinquent Single Family Housing borrowers three or more months delinquent. For the 1989 tax year, FmHA is including delinquent Farmer Program borrowers in the IRS offset program.

Sale of FmHA Notes - As required by the Omnibus Budget Reconciliation Act of 1986 (OBRA) and the FY 1987 Continuing Resolution (CR), FmHA conducted a series of loan sales. These sales reduced the size of FmHA's portfolio and freed field offices' servicing resources to concentrate on servicing problem loans and other Agency initiatives.

Rural Development Insurance Fund (RDIF) - In FY 1988 and again in FY 1989, FmHA offered borrowers of RDIF loans an opportunity to prepay their loans at a discount. Over 6,000 loans, totaling more than $3 billion, were prepaid in FY 1988 and FY 1989, exceeding the requirements established by OBRA and the CR. FmHA has no plans to conduct another borrower prepayment program in FY 1990.

CONTRACTING FOR PROGRAM SERVICING

Authority has been granted to the States for the purpose of contracting out certain program related functions in the field. Annual allocations are given to the States for entering into contracts in such areas as: investigating unauthorized disposition of chattel property, conducting loan processing and servicing actions, including making real estate and chattel appraisals and inspections, assisting in the annual analysis of borrower accounts, assisting in completing foreclosure and bankruptcy actions, servicing debt settlement accounts, and many other areas. In addition, contracting activities for the repair, management and sale of inventory property are used to meet the needs of the programs. State offices have hired or reassigned staff to oversee localized contracting activities.

FARMERS HOME ADMINISTRATION

The 1991 Budget Estimates include proposed changes in the language of this item as follows (deleted matter enclosed in brackets):

[Rural Community Fire Protection Grants]:

[For grants pursuant to section 7 of the Cooperative Forestry Assistance Act of 1978 (Public Law 95-313), $3,091,000 to fund up to 50 per centum of the cost of organizing, training, and equipping rural volunteer fire departments.]

This change eliminates the appropriation language for this program. No funds are requested for fiscal year 1991.

Rural Community Fire Protection Grants

Appropriation Act, 1990	$3,091,000
Budget Estimate, 1991	--
Decrease in Appropriation	-3,091,000

PROJECT STATEMENT
(On basis of appropriation)

Project	1989 Actual	1990 Estimated	Decrease	1991 Estimated
Rural community fire protection grants	$3,056,976	$3,091,000	-$3,091,000	--
Unobligated balance lapsing	34,024	--	--	--
Total appropriation	3,091,000	3,091,000	-3,091,000(1)	--

Staff-years are reflected on the Salaries and Expenses Project Statement.

EXPLANATION OF PROGRAM

This assistance was authorized by section 7 of the Cooperative Forestry Assistance Act of 1978. Grants are made to public bodies to organize, train, and equip local fire-fighting forces, including those of Indian tribes or other native groups, to prevent, control, and suppress fires threatening human lives, crops, livestock, farmsteads or other improvements, pastures, orchards, wildlife, rangeland, woodland, and other resources in rural areas.

JUSTIFICATION OF DECREASE

(1) A decrease of $3,091,000 for the rural community fire protection grants ($3,091,000 available in 1990).

Need for Change. This program is proposed for termination in 1991. Organizations eligible for fire protection grants may apply for either FmHA community facility direct loan or a FmHA guaranteed loan through the private sector.

Nature of Change. No funds are proposed for this program in FY 1991.

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1989 and Estimated 1990 and 1991

Rural Community Fire Protection Grants

	1989 Amount	1990 Amount	1991 Amount
Alabama..............	48,400	48,944	—
Alaska...............	66,925	67,677	—
Arizona..............	46,500	47,023	—
Arkansas.............	49,400	49,955	—
California...........	102,000	103,147	—
Colorado.............	58,900	59,562	—
Connecticut..........	21,850	22,096	—
Delaware.............	16,150	16,332	—
Florida..............	64,600	65,326	—
Georgia..............	57,900	58,551	—
Hawaii...............	17,500	17,697	—
Idaho................	31,649	32,005	—
Illinois.............	115,900	117,203	—
Indiana..............	79,800	80,697	—
Iowa.................	104,500	105,675	—
Kansas...............	105,000	106,181	—
Kentucky.............	53,200	53,798	—
Louisiana............	73,500	74,326	—
Maine................	23,750	24,017	—
Maryland.............	33,250	33,624	—
Massachusetts........	24,700	24,978	—
Michigan.............	84,550	85,501	—
Minnesota............	118,750	120,085	—
Mississippi..........	48,400	48,944	—
Missouri.............	87,400	88,383	—
Montana..............	55,350	55,972	—
Nebraska.............	80,400	81,304	—
Nevada...............	37,000	37,416	—
New Hampshire........	17,100	17,292	—
New Jersey...........	34,200	34,585	—
New Mexico...........	28,800	29,124	—
New York.............	81,700	82,619	—
North Carolina.......	69,300	70,079	—
North Dakota.........	79,000	79,888	—
Ohio.................	90,250	91,265	—
Oklahoma.............	59,800	60,472	—
Oregon...............	44,550	45,051	—
Pennsylvania.........	91,200	92,225	—
Rhode Island.........	13,300	13,450	—
South Carolina.......	44,600	45,101	—
South Dakota.........	74,900	75,742	—
Tennessee............	55,100	55,720	—
Texas................	156,700	158,462	—
Utah.................	29,524	29,856	—
Vermont..............	18,050	18,253	—
Virginia.............	47,500	48,034	—
Washington...........	49,822	50,382	—
West Virginia........	30,400	30,742	—
Wisconsin............	77,900	78,776	—
Wyoming..............	23,800	24,068	—
Puerto Rico..........	13,300	13,450	—
Trust Territories....	30,000	30,337	—
Virgin Islands.......	13,300	13,450	—
Administrative Expenses	75,312	76,159	—
Total, Available or Estimate	3,056,632	3,091,000	—

RURAL COMMUNITY FIRE PROTECTION GRANTS

STATUS OF PROGRAM

During fiscal year 1989 3,364 grants totaling $3,056,976 were made. These grants are made to public bodies to organize, train, and equip local firefighting forces including those of Indian tribes or other native groups. These grants which fund up to 50 percent of the project cost are administered by the Forest Service.

FARMERS HOME ADMINISTRATION

The 1991 Budget Estimates include language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Very Low-Income Housing Repair Grants:

> For grants to the very low-income elderly for essential repairs to dwellings pursuant to section 504 of the Housing Act of 1949, as amended, [$12,500,000] $10,000,000, to remain available until expended.

Very Low-Income Housing Repair Grants

Appropriation Act, 1990	$12,500,000
Budget Estimate, 1991	10,000,000
Decrease in Appropriation	- 2,500,000

PROJECT STATEMENT
(On basis of appropriation
and on basis of obligations under available funds)

Project	1989 Actual	1990 Estimated	Increase or Decrease	1991 Estimated
Very low-income housing repair grants	$12,499,939	$12,500,061	-$2,500,061	$10,000,000
Unobligated balance available, start of year	--	-61	+61	--
Unobligated balance available, end of year	61	--	--	--
Total appropriation	12,500,000	12,500,000	-2,500,000(1)	10,000,000

Staff years are reflected in the Salaries and Expenses Project Statement.

EXPLANATION OF PROGRAM

This grant program is authorized under section 504 of the Housing Act of 1949, as amended. The rural housing repair grant program is carried out by making grants to very low-income elderly owner-occupants to make necessary repairs to improve and modernize their dwellings in order to remove safety and health hazards.

The grants may be made to cover the cost of improvements or additions, such as repairing roofs, providing toilet facilities, providing a convenient and sanitary water supply, installing screens, repairing or providing structural supports, or making similar repairs, additions, or improvements including all preliminary and installation costs in obtaining central water and sewer service. A grant can be made in combination with a section 504 very low-income housing repair loan. The Agency has determined that a grant cannot exceed $5,000; and a grant and loan combination cannot exceed $7,500.

JUSTIFICATION OF DECREASE

(1) A decrease of $2,500,000 for the very low-income housing repair grants ($12,500,000 available in 1990).

Need for Change. It is in the interest of the Agency to continue assisting low- and very low-income elderly families. The reduced level requested is partially offset by the $11.1 million in section 504 low-interest loans at the same level as the previous year. In addition, the almost $190 million requested for the Rural Housing Voucher Program will provide eligible families with alternate housing choices that could prove more suitable to a wide number of elderly families. Also, States and private non-profit organizations provide similar programs.

Nature of Change. At this level FmHA would still provide 2,720 grants to eligible very low-income elderly applicants.

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1988 and Estimated 1989 and 1990

Very-Low Income Housing Repair Grant Program

	1989 Amount	1990 Amount	1991 Amount
Alabama............	491,870	482,033	390,446
Alaska.............	—	40,000	32,400
Arizona............	127,650	125,097	101,329
Arkansas...........	225,730	221,215	179,184
California.........	279,170	273,587	221,605
Colorado...........	72,600	71,148	57,630
Connecticut........	13,360	40,000	32,400
Delaware...........	36,660	35,927	29,101
Florida............	205,540	201,429	163,158
Georgia............	443,500	434,630	320,800
Hawaii.............	5,000	40,000	32,400
Idaho..............	49,860	48,863	39,579
Illinois...........	335,380	328,672	266,225
Indiana............	201,840	197,803	160,221
Iowa...............	307,170	301,027	243,832
Kansas.............	190,740	186,925	151,409
Kentucky...........	411,140	402,917	326,363
Louisiana..........	548,900	537,922	435,717
Maine..............	217,600	213,248	172,731
Maryland...........	130,270	127,665	103,408
Massachusetts......	109,640	107,447	87,032
Michigan...........	373,770	366,295	296,699
Minnesota..........	325,470	318,961	258,358
Mississippi........	424,620	416,128	305,813
Missouri...........	354,380	347,292	281,307
Montana............	6,210	40,000	32,400
Nebraska...........	91,160	89,337	72,363
Nevada.............	23,130	40,000	32,400
New Hampshire......	65,930	64,611	52,335
New Jersey.........	49,000	48,020	38,896
New Mexico.........	151,020	148,000	119,880
New York...........	424,770	416,275	305,932
North Carolina.....	627,170	614,627	497,848
North Dakota.......	58,000	56,840	46,040
Ohio...............	506,620	496,488	402,155
Oklahoma...........	257,430	252,281	204,348
Oregon.............	206,380	202,252	163,824
Pennsylvania.......	697,040	683,099	522,061
Rhode Island.......	15,530	40,000	32,400
South Carolina.....	382,560	374,909	303,676
South Dakota.......	111,190	108,966	88,263
Tennessee..........	513,970	503,691	407,989
Texas..............	857,629	840,476	680,786
Utah...............	55,230	54,125	43,842
Vermont............	89,090	87,308	70,720
Virginia...........	435,900	427,182	346,017
Washington.........	116,230	113,905	92,263
West Virginia......	199,830	195,833	158,625
Wisconsin..........	328,090	321,528	260,438
Wyoming............	8,990	40,000	32,400
Puerto Rico........	251,980	252,676	204,668
Trust Territories..	83,000	81,340	65,885
Virgin Islands.....	5,000	40,000	32,400
Total, Available or Estimate.........	12,499,939	12,500,000	10,000,000

VERY LOW-INCOME HOUSING REPAIR GRANTS (SEC. 504)

STATUS OF PROGRAM

The Very Low-Income Housing Repair Grant Program provides assistance to very low-income elderly owner-occupants in rural areas to make essential repairs in their homes to remove health and safety hazards. In some cases, the grant is made to pay that part of the total cost of the repairs that the elderly homeowner cannot afford with a section 504 loan even at a one percent interest rate. The total amount of a grant cannot exceed $5,000.

Current Activities: The assistance provided during fiscal year 1989 amounted to $12,499,939 distributed among 3,430 very low-income families through 3,684 grants.

FARMERS HOME ADMINISTRATION

The 1991 Budget Estimates include proposed changes in the language of this item as follows (deleted matter enclosed in brackets):

[Rural Development Grants]:

> [For grants authorized under section 310(B)(c) (7 U.S.C. 1932) to any qualified public or private nonprofit organization, $16,500,000: Provided, That $500,000 shall be available for grants to qualified nonprofit organizations to provide technical assistance for rural communities needing improved passenger transportation systems or facilities in order to promote economic development: Provided further, That $1,250,000 shall be available for grants to statewide private, non-profit public television systems in predominately rural States, to provide information and services on rural economics and argiculture.]

This change eliminates the appropriation language for this program. No funds are requested for fiscal year 1991.

Rural Development Grants

Appropriation Act, 1990	$16,500,000
Budget Estimate, 1991	--
Decrease in Appropriation	-16,500,000

Adjustments in 1990		
Appropriation Act, 1990	$16,500,000	
Gramm-Rudman-Hollings Reduction (P.L. 99-177)	-94,000	
Adjusted base for 1990		16,406,000
Budget Estimate, Current Law, 1991		--
Decrease over adjusted 1990		-16,406,000

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1989 Actual	1990 Estimated	Decrease	1991 Estimated
Rural development grants	$6,500,000	$16,406,000	-$16,406,000	--
Total adjusted appropriation	6,500,000	16,406,000	-16,406,000(1)	--
Gramm-Rudman-Hollings Reduction	--	+94,000	--	--
Total Appropriation	6,500,000	16,500,000	-16,406,000	--

Staff-years are reflected on the Salaries and Expenses Project Statement.

EXPLANATION OF PROGRAM

This grant program is authorized under section 310B(c) of the Consolidated Farm and Rural Development Act, as amended. Grants may be made to any qualified public or private nonprofit organization for measures designed to facilitate development of private business enterprises, including the development, construction or acquisition of land, buildings, plants, equipment, access streets and roads, parking areas, utility extensions, necessary water supply and waste disposal facilities, technical assistance, necessary start up capital, establishment of revolving loan funds, refinancing, services and fees. Grants may not exceed $50,000,000 annually and no single grant may exceed $500,000.

JUSTIFICATION OF DECREASE

(1) A decrease of $16,406,000 for the rural development grants ($16,406,000 available in 1990).

Need for Change. This program is proposed for termination. Public and private nonprofit organizations eligible to be assisted under this grant program may request assistance under other FmHA loan and grant programs, as well as from the private sector.

Nature of Change. No appropriation is requested for FY 1991.

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1989 and Estimated 1990 and 1991

Rural Development Grants

	1989 Amount	1990 Amount	1991 Amount
Alabama............	--	115,100	--
Alaska.............	425,000	912,475	—
Arizona............	--	115,100	—
Arkansas...........	235,000	504,545	—
California.........	225,000	483,075	—
Colorado...........	150,000	322,050	—
Connecticut........	--	115,100	--
Delaware...........	--	115,100	—
Florida............	452,100	970,659	—
Georgia............	100,000	214,700	—
Hawaii.............	--	115,100	—
Idaho..............	56,560	121,434	—
Illinois...........	150,000	322,050	—
Indiana............	—	115,100	--
Iowa...............	400,000	858,800	--
Kansas.............	150,000	322,050	—
Kentucky...........	300,000	644,100	--
Louisiana..........	312,000	669,864	--
Maine..............	124,980	268,332	--
Maryland...........	500,000	1,273,421	—
Massachusetts......	125,000	268,375	--
Michigan...........	132,000	283,404	—
Minnesota..........	100,000	214,700	--
Mississippi........	212,500	456,237	—
Missouri...........	75,000	161,025	—
Montana............	—	115,100	—
Nebraska...........	100,000	214,700	—
Nevada.............	57,300	123,023	—
New Hampshire......	—	115,100	—
New Jersey.........	—	115,100	—
New Mexico.........	--	115,100	—
New York...........	35,000	115,100	—
North Carolina.....	300,000	644,100	—
North Dakota.......	100,000	214,700	—
Ohio...............	50,000	107,350	—
Oklahoma...........	240,000	515,280	—
Oregon.............	200,000	429,400	—
Pennsylvania.......	125,000	268,375	—
Rhode Island.......	—	115,100	—
South Carolina.....	270,000	579,690	—
South Dakota.......	—	115,100	—
Tennessee..........	365,000	783,655	—
Texas..............	—	115,100	—
Utah...............	—	115,100	—
Vermont............	100,000	214,700	--
Virginia...........	42,560	115,100	—
Washington.........	—	115,100	—
West Virginia......	90,000	193,230	—
Wisconsin..........	200,000	429,400	--
Wyoming............	—	115,100	—
Puerto Rico........	—	115,100	--
Trust Territories..	—	115,100	—
Virgin Islands.....	—	115,100	--
Total, Available or Estimate..........	6,500,000	16,406,000	—

RURAL DEVELOPMENT GRANTS (Sec. 310B)

STATUS OF PROGRAM

Rural Development Grants are used for the development of industrial sites in rural areas and other business development. Grants are also made to eligible applicants for the establishment of revolving loan fund programs which enable local officials to finance small business development. Repayments on loans made from these revolving funds are utilized for additional loans to other needy businesses. Implementing regulations were modified in Fiscal Year 1988 to permit funding of nonprofit corporations and to authorize funding of technical assistance and revolving loan fund programs for the benefit of small and emerging private business enterprises in distressed communities. The industrial development projects were aimed toward creating and saving jobs and promoting economic development in rural areas. Over one-third of the grants made in fiscal year 1989 were to nonprofit corporations.

Thirty-six grants were made in 34 States including $500,000 for rural transportation technical assistance and $555,000 in other technical assistance projects, $474,980 to establish revolving loan fund programs to facilitate small business development and $4,970,000 in industrial and other business development. FmHA received in excess of $30 million in requests for funds and numerous inquiries. A project in South Carolina will assist farmers to develop alternative crops such as nursery goods or bedding plants. A project in Alaska will assist a community to obtain much needed jobs through location of a fish processing facility. Another project in Iowa will assist a business in the Indian Hills region of the state to train employees in new technical areas such as robotics. A technical assistance project in Oklahoma will assist in the planning of a regional center to facilitate business development.

FARMERS HOME ADMINISTRATION

The 1991 Budget Estimates include language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Rural Housing Preservation Grants:

For grants for rural housing preservation as authorized by section 552 of the Housing and Urban-Rural Recovery Act of 1983 (Public Law 99-181), [$19,140,000] $15,000,000.

Rural Housing Preservation Grants

Appropriation Act, 1990	$19,140,000
Budget Estimate, 1991	15,000,000
Decrease in Appropriation	-4,140,000

PROJECT STATEMENT
(On basis of appropriation)

Project	1989 Actual	1990 Estimated	Decrease	1991 Estimated
Rural housing preservation grants	$19,140,000	$19,140,000	-$4,140,000	$15,000,000
Total appropriation	19,140,000	19,140,000	-4,140,000(1)	15,000,000

Staff-years are reflected in the Salaries and Expenses Project Statement.

EXPLANATION OF PROGRAM

This program is authorized under section 533 of the Housing Act of 1949, as amended. Grants are made to eligible private nonprofit groups, Indian tribes, and government agencies for the rehabilitation of single family housing owned by low-income and very low-income families and the rehabilitation of rental and cooperative housing for low and very low-income families.

JUSTIFICATION OF DECREASE

(1) A decrease of $4,140,000 for rural housing preservation grants ($19,140,000 available in FY 1990).

Need for Change. The Administration believes that the requested program level would have a minimal effect on the Agency's ability to provide housing assistance for low or very low-income families while still helping to reduce the Federal outlays.

Nature of Change. The amount requested should provide assistance to rehabilitate 3,255 units through 114 grants.

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1989 and Estimated 1990 and 1991

Rural Housing Preservation Grant Program

	1989 Amount	1990 Amount	1991 Amount
Alabama	543,000	515,850	412,680
Alaska	—	175,000	140,000
Arizona	249,000	236,550	189,240
Arkansas	396,000	376,200	300,960
California	621,470	590,397	472,317
Colorado	200,000	190,000	152,000
Connecticut	—	175,000	140,000
Delaware	200,000	190,000	152,000
Florida	398,000	378,100	302,480
Georgia	446,250	423,938	339,150
Hawaii	145,000	175,000	140,000
Idaho	368,000	349,600	279,680
Illinois	415,000	394,250	315,400
Indiana	438,900	416,955	333,564
Iowa	300,000	285,000	228,000
Kansas	371,600	353,020	282,416
Kentucky	628,000	600,000	338,960
Louisiana	493,010	468,360	374,688
Maine	289,000	274,550	219,640
Maryland	224,000	212,800	170,240
Massachusetts	400,000	380,000	304,000
Michigan	477,700	453,815	363,052
Minnesota	421,000	399,950	319,960
Mississippi	500,000	475,000	380,000
Missouri	409,000	388,550	310,840
Montana	264,000	250,800	200,640
Nebraska	300,000	285,000	228,000
Nevada	120,000	125,000	100,000
New Hampshire	163,000	175,000	140,000
New Jersey	330,000	313,500	250,800
New Mexico	232,000	220,400	176,320
New York	450,000	427,500	342,000
North Carolina	827,380	789,411	490,489
North Dakota	228,000	216,600	173,280
Ohio	664,400	634,580	366,624
Oklahoma	507,570	482,192	385,753
Oregon	254,000	241,300	193,040
Pennsylvania	589,000	559,550	447,640
Rhode Island	—	175,000	140,000
South Carolina	526,000	499,700	399,760
South Dakota	181,000	171,950	137,560
Tennessee	516,000	490,200	392,160
Texas	815,000	777,650	481,080
Utah	200,000	190,000	152,000
Vermont	298,000	283,100	226,480
Virginia	622,710	591,575	473,260
Washington	391,280	371,716	297,373
West Virginia	410,980	390,431	312,345
Wisconsin	347,000	329,650	263,720
Wyoming	178,750	169,813	135,850
Puerto Rico	790,000	750,500	600,400
Trust Territories	—	175,000	140,000
Virgin Islands	—	175,000	392,160
Total, Available or Estimate	19,140,000	19,140,000	15,000,000

RURAL HOUSING PRESERVATION GRANTS (Sec. 533)

STATUS OF PROGRAM

The Rural Housing Preservation Grant Program provides financial assistance to eligible private nonprofit groups, Indian tribes, or government agencies for the rehabilitation of single family housing owned by low and very low-income families and the rehabilitation of rental and cooperative housing for low- and very low-income families.

Current Activities: In fiscal year 1989, the total available funds of $19,140,000 were obligated to 158 eligible applicants. Approximately 4,500 units are to be assisted.

FARMERS HOME ADMINISTRATION

The 1991 Budget Estimates include language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Rural [Rental Assistance Payments] Housing Voucher Program:

> For necessary expenses to operate a housing voucher program under section 8(o) of the United States Housing Act of 1937, as amended (42 U.S.C. 1437f(o)), $189,928,000, to be administered by the Secretary of Agriculture.

This change proposes new appropriation language for funding a rural housing voucher program.

Rural Housing Voucher Program

Appropriation Act, 1990	--
Budget Estimate, 1991	$189,928,000
Increase in Appropriation	+189,928,000

PROJECT STATEMENT
(On basis of appropriation)

Project	1989 Actual	1990 Estimated	Increase	1991 Estimated
Rural housing vouchers	--	--	+$189,928,000	$189,928,000
Rental assistance payments	--	--	--	--
Total appropriation	--	--	+$189,928,000(1)	$189,928,000

Staff-years are reflected in the Salaries and Expenses Project Statement.

EXPLANATION OF PROGRAM

This program is authorized under section 8(o) of the United States Housing Act of 1937, as amended. FmHA proposes a rural housing voucher program based on the same payment standards and regulations set by the Department of Housing and Urban Development (HUD) for its section 8 voucher program. This voucher program will provide housing assistance payments to individuals and families based on the difference between what the family can afford for housing according to their income and the cost of rental housing in the community. As operated by HUD, the assistance is provided through a public housing agency (PHA) which determines the amount of the voucher by comparing the families' incomes to local rents. Assistance will be provided monthly, with annual renewals for up to five years.

This appropriation account will also continue to disburse funds for new construction rental assistance units obligated in prior years.

JUSTIFICATION OF INCREASE

(1) An increase of $189,928,000 for a rural housing voucher program (zero available in FY 1990).

Need for Change. Housing affordability and quality are two of the most important problems facing low income, rural households. At present, the Agency is supposed to build enough housing units to solve both problems. However, this is not a cost effective strategy. In some areas, renters can obtain suitable housing. But with very low incomes, many renters are unable to afford the monthly rent. In these cases, the household needs rental assistance, not a new apartment.

Nature of Change. FmHA currently provides payments for rural households unable to afford rents at section 515 financed housing developments. The new voucher program is different only in that assistance is not tied to any one apartment complex. The Budget includes vouchers for 8,000 housing units which may be used for any of the area's available housing.

Farmers Home Administration
1989 and Estimated 1990 and 1991
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
Rural Housing Voucher Program

	1989 Amount	1990 Amount	1991 Amount
Alabama............	--	--	6,000,000
Alaska.............	--	--	800,000
Arizona............	--	--	2,300,000
Arkansas...........	--	--	4,500,000
California.........	--	--	6,500,000
Colorado...........	--	--	1,500,000
Connecticut........	--	--	950,000
Delaware...........	--	--	400,000
Florida............	--	--	4,750,000
Georgia............	--	--	6,500,000
Hawaii.............	--	--	700,000
Idaho..............	--	--	1,300,000
Illinois...........	--	--	4,750,000
Indiana............	--	--	4,450,000
Iowa...............	--	--	2,950,000
Kansas.............	--	--	2,200,000
Kentucky...........	--	--	9,000,000
Louisiana..........	--	--	5,500,000
Maine..............	--	--	1,900,000
Maryland...........	--	--	1,900,000
Massachusetts......	--	--	1,750,000
Michigan...........	--	--	5,500,000
Minnesota..........	--	--	3,650,000
Mississippi........	--	--	5,500,000
Missouri...........	--	--	4,750,000
Montana............	--	--	1,050,000
Nebraska...........	--	--	1,450,000
Nevada.............	--	--	300,000
New Hampshire......	--	--	950,000
New Jersey.........	--	--	1,350,000
New Mexico.........	--	--	2,050,000
New York...........	--	--	5,500,000
North Carolina.....	--	--	12,539,000
North Dakota.......	--	--	900,000
Ohio...............	--	--	6,500,000
Oklahoma...........	--	--	350,000
Oregon.............	--	--	2,400,000
Pennsylvania.......	--	--	9,500,000
Rhode Island.......	--	--	200,000
South Carolina.....	--	--	5,000,000
South Dakota.......	--	--	1,250,000
Tennessee..........	--	--	6,500,000
Texas..............	--	--	13,539,000
Utah...............	--	--	750,000
Vermont............	--	--	800,000
Virginia...........	--	--	6,000,000
Washington.........	--	--	2,750,000
West Virginia......	--	--	4,000,000
Wisconsin..........	--	--	3,850,000
Wyoming............	--	--	550,000
Puerto Rico........	--	--	9,500,000
Trust Territories..	--	--	200,000
Virgin Islands.....	--	--	200,000
Total, Available or Estimate.........	--	--	189,928,000

FARMERS HOME ADMINISTRATION

The 1991 Budget Estimates include proposed changes in the language of this item as follows (new language underscored; deleted matter enclosed in brackets):

Rural Development Loan Fund:

For direct loans to intermediary borrowers, [$19,500,000] $30,000,000, as authorized under the Rural Development Loan Fund (42 U.S.C. 9812(a)), to be available from funds in the Rural Development Loan Fund, $2,000,000 and from funds appropriated to this account, [$17,500,000] $28,000,000.

Rural Development Loan Fund

Program Loan Level, 1990		$19,500,000
Program Loan Level, 1991		30,000,000
Increase in Loan Level		+10,500,000
Adjustment in 1990		
Program Loan Level, 1990	$19,500,000	
Gramm-Rudman-Hollings Reduction (P.L. 99-177)	-203,000	
Adjusted base for 1990		19,297,000
Budget Estimate, 1991		30,000,000
Increase over adjusted 1990		+10,703,000

PROJECT STATEMENT

(On basis of appropriation and on basis of obligations under available funds)

Project	1989 Actual	1990 Estimated	Increase or Decrease	1991 Estimated
Rural development loans	13,627,962	$19,297,000	+$10,703,000(1)	$30,000,000
Offsetting collections	-1,509,095	-2,078,342	-583,432	-2,628,827
Unobligated balance available, start of year	-1,479,739	-360,872	-75,362	-460,214
Unobligated balance available, end of year	360,872	460,214	+637,794	1,089,041
Total adjusted appropriation	11,000,000	17,318,000	+10,682,000	28,000,000
Gramm-Rudman-Hollings Reduction	--	182,000		
Total appropriation	11,000,000	17,500,000		

Staff-years are reflected on the Salaries and Expenses Project Statement.

EXPLANATION OF PROGRAM

The Human Services Reauthorization Act of 1986, P.L. 99-425, reauthorized the making of loans, out of repayments or other funds made available to the Rural Development Loan Fund, by FmHA. The 1990 and 1991 loan program levels will be made available through unobligated balances, repayments to the fund, and direct appropriations of $17,318,000 and $28,000,000, respectively.

Loans will be made to intermediary borrowers (i.e. small investment groups) who in turn will relend the funds to rural businesses, community development corporations, private nonprofit organizations, etc. for the purpose of improving business, industry, community facilities, and employment opportunities and diversification of the economy in rural areas.

JUSTIFICATION OF INCREASE

(1) An increase of $10,703,000 for rural development loans ($19,297,000 available in 1990).

Need for change. The Administration supports a federal rural development strategy that complements the work of rural communities. The Intermediary Relending Program provides low interest loans to non-profit organizations who may then leverage other funds for relending to small businesses. These relenders provide extensive services to new rural businesses and enable communities to have a strong voice in the use of FmHA funds.

Nature of change. The program level will provide 27 loans to intermediary relenders in FY 1991.

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1989 and Estimated 1990 and 1991

Rural Development Loan Fund

Intermediary Relending Loans

	1989 Amount	1990 Amount	1991 Amount
Georgia............	1,127,569	--	--
Iowa...............	900,000	--	--
Kansas.............	750,000	--	--
Nebraska...........	2,000,000	--	--
New York...........	1,150,000	--	--
North Carolina.....	900,000	--	--
Oklahoma...........	2,500,000	--	--
Pennsylvania.......	1,000,000	--	--
South Dakota.......	2,500,000	--	--
Utah...............	800,000	--	--
Total, Available or Estimate.........	13,627,569	19,297,000 1/	30,000,000 1/

1/ Cannot be distributed in advance.

RURAL DEVELOPMENT LOAN FUND

STATUS OF PROGRAM

Intermediary relending program loans made from the Rural Development Loan Fund are to promote economic and community development and provide employment opportunities in rural areas through a network of intermediary borrowers. Such intermediaries will then relend these funds to local businesses or community development projects. In this way, the program generally will serve small-scale enterprises and give preference to those communities with the greatest need.

Current Activities: The making of intermediary relending program loans by the Department of Agriculture was authorized by P.L. 99-425, the Human Services Reauthorization Act of 1986. Funding for such loans is derived from repayments to the Rural Development Loan Fund (principal and interest) from prior loans held by the Fund, as well as any additional monies that might be made available.

In fiscal year 1989, a total of $13,627,962 was obligated to 13 separate intermediary organizations.

FARMERS HOME ADMINISTRATION

The 1991 Budget Estimates include language for this item as follows (deleted matter enclosed in brackets):

Compensation for Construction Defects:

> [For compensation for construction defects as authorized by section 509(c) of the Housing Act of 1949, as amended, $500,000, to remain available until expended.]

This change eliminates the appropriation language for this program. No appropriation is requested in fiscal year 1991.

Compensation for Construction Defects

Appropriation Act, 1990..	$500,000
Budget Estimate, 1991..	--
Decrease in Appropriation..	-500,000

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1989 Actual	1990 Estimated	Decrease	1991 Estimated
Compensation for construction defects.......	$313,816	$686,184	-$500,000	--
Unobligated balance available, start of year........	--	-186,184	--	--
Unobligated balance available, end of year..........	186,184	--	--	--
Total appropriation..........	500,000	500,000	-500,000(1)	--

Staff-years are reflected in the Salaries and Expenses Project Statement.

EXPLANATION OF PROGRAM

This program is authorized under section 509(c) of the Housing Act of 1949, as amended. The Secretary of Agriculture is authorized to make expenditures to correct structural defects, or to pay claims of owners arising from such defects on newly constructed dwellings purchased with FmHA financial assistance. Claims will not be paid until provisions under the builder's warranty have been fully pursued. Requests for compensation for construction defects must be made within eighteen months after the date financial assistance was granted.

JUSTIFICATION OF DECREASE

(1) A decrease of $500,000 for compensation for construction defects program ($500,000 available in FY 1990).

Need for Change. The borrowers, with assistance from the Agency, should pursue the contractor to correct any structural or construction defects under the terms of the payment and performance bond or the construction guarantee.

Nature of Change. Better and closer inspection by the Agency should make these payments unnecessary.

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1989 and Estimated 1990 and 1991

Compensation for Construction Defects

	1989 Amount	1990 Amount	1991 Amount
Alabama............	8,885	18,659	—
Alaska.............	—	1,000	—
Arizona............	—	1,000	—
Arkansas...........	—	1,000	—
California.........	—	1,000	—
Colorado...........	—	1,000	—
Connecticut........	1,200	2,520	—
Delaware...........	—	1,000	—
Florida............	—	1,000	—
Georgia............	—	1,000	—
Hawaii.............	—	1,000	—
Idaho..............	—	1,000	—
Illinois...........	—	1,000	—
Indiana............	—	1,000	—
Iowa...............	1,457	3,060	—
Kansas.............	—	1,000	—
Kentucky...........	—	1,000	—
Louisiana..........	8,545	17,945	—
Maine..............	11,630	24,423	—
Maryland...........	—	1,000	—
Massachusetts......	3,500	7,350	—
Michigan...........	87,844	178,716	—
Minnesota..........	—	1,000	—
Mississippi........	65,396	135,910	—
Missouri...........	25,423	53,388	—
Montana............	—	1,000	—
Nebraska...........	—	1,000	—
Nevada.............	—	1,000	—
New Hampshire......	—	1,000	—
New Jersey.........	—	1,000	—
New Mexico.........	—	1,000	—
New York...........	32,019	69,156	—
North Carolina.....	4,887	9,774	—
North Dakota.......	—	1,000	—
Ohio...............	—	1,000	—
Oklahoma...........	2,890	5,780	—
Oregon.............	—	1,000	—
Pennsylvania.......	540	1,000	—
Rhode Island.......	—	1,000	—
South Carolina.....	1,170	2,340	—
South Dakota.......	—	1,000	—
Tennessee..........	—	1,000	—
Texas..............	23,940	53,000	—
Utah...............	—	1,000	—
Vermont............	—	1,000	—
Virginia...........	8,900	17,800	—
Washington.........	—	1,000	—
West Virginia......	3,170	6,340	—
Wisconsin..........	14,420	28,840	—
Wyoming............	—	1,000	—
Puerto Rico........	—	1,000	—
Trust Territories..	—	1,000	—
Virgin Islands.....	8,000	16,000	—
Total, Available or Estimates........	313,816	686,000	—

COMPENSATION FOR CONSTRUCTION DEFECTS (SEC. 509)

STATUS OF PROGRAM

The objective of the Compensation for Construction Defects Program is to provide financial assistance to FmHA financed purchasers of newly constructed homes found to have structural defects. The program provides funds for final corrective actions for borrowers when the protection normally provided by the builder's post-construction warranty cannot be successfully pursued, thus leaving the borrower financially responsible for repairs. Compensation is limited to defects that significantly reduce the useful life or habitability of the dwelling. Restitutive actions can include paying for the cost of repairs and emergency living expenses, or if necessary, acquisition of title when repairs are not practical or possible.

Current Activities: For fiscal year 1989, 69 claims in the amount of $313,816 were processed with the average claim being $4,548.

FARMERS HOME ADMINISTRATION

The 1991 Budget Estimates include language for this item as follows (deleted matter enclosed in brackets):

Self-Help Housing Land Development Fund:

> [For direct loans pursuant to section 523(b)(1)(B) of the Housing Act of 1949, as amended (42 U.S.C. 1490c), $500,000 shall be available from funds in the Self-Help Housing Land Development Fund.]

This change eliminates the authority to make direct loans for this program. No authority is requested for fiscal year 1991.

Self-Help Housing Land Development Fund

On Basis Of Loan Levels

Program Loan Level, 1990	$500,000
Program Loan Level, 1991	--
Decrease in Loan Level	-500,000

PROJECT STATEMENT

(On basis of program level and on basis of obligations under available funds)

Project	1989 Actual	1990 Estimated	Increase or Decrease	1991 Estimated
Mutual and self-help housing site loans	$ 500,000	$ 500,000	-$500,000(1)	--
Unobligated balance available, start of year	-2,924,324	-3,475,547	+302,000	-$3,173,547
Offsetting collections	-1,049,223	-198,000	-151,000	-349,000
Recovery of prior year obligations	-2,000	--	--	--
Unobligated balance available, end of year	3,475,547	3,173,547	+349,000	3,522,547
Total appropriation	--	--	--	--

Staff-years are reflected in the Salaries and Expenses Project Statement.

EXPLANATION OF PROGRAM

This revolving fund is authorized under Section 523 (b)(1)(B) of the Housing Act of 1949, as amended. The fund is used for making loans to public or private nonprofit organizations for the acquisition and development of land as building sites to be subdivided and sold to eligible families, nonprofit organizations, and cooperatives.

Justification of Decrease

(1) A decrease of $500,000 for the mutual and self-help housing site loan program ($500,000 available in FY 1990).

Need for change. This program is proposed for termination. There has been little or no demand for this program throughout the years. Families eligible to be assisted under this program may request assistance under other programs of the Agency, such as, the Rural Housing Voucher Program and the Section 521 Rural Rental Assistance Payment Program. Both programs offer a more efficient and at the same time a greater choice of housing alternatives to eligible families.

Nature of Change. No program is requested for FY 1991.

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1989 and Estimated 1990 and 1991

Self-Help Housing Land Development Fund

	1989 Amount	1990 Amount	1991 Amount
California.........	500,000	—	—
Total, Available or 1/ Estimate.........	500,000	500,000	—

1/ Distribution cannot be determined in advance

SELF-HELP HOUSING LAND DEVELOPMENT FUND

STATUS OF PROGRAM

The Self-Help Housing Land Development Fund makes loans available to public and private nonprofit organizations for the acquisition and development of land as building sites to be sold to eligible families, nonprofit organizations, and cooperatives.

Current Activities: One loan was obligated during fiscal year 1989 amounting to the $500,000 loan authorization available for the period.

PASSENGER MOTOR VEHICLES

The 1991 Budget Estimates do not propose a change in the number of passenger motor vehicles.

The passenger motor vehicles of the Farmers Home Administration are used primarily by the County Supervisors in the Pacific Trust Territories and Guam for the performance of their daily work. None of the vehicles are used in the 50 United States or Washington, D.C. The vehicles are used in areas where privately-owned vehicles and common carrier facilities are either non-existent, uneconomical, or inadequate due to the nature of the travel which requires a high degree of mobility with frequent stops at rural housing sites and farm properties. FmHA personnel are required to inspect and appraise homes and farms on which loan applications are pending. They also must visit various properties frequently to perform loan servicing activities.

Passenger motor vehicles are not assigned to one individual exclusively and are at locations where more than one employee has a need for them. This allows several employees to use a single vehicle and minimizes the number of vehicles and maintenance costs.

Age and mileage data for Farmers Home Administration passenger motor vehicles on hand as of September 30, 1989, are as follows:

	Age Data			Mileage Data	
Age-Year Model	Number of Vehicles	Percent of Total	Lifetime Mileage (thousands)	Number of Vehicles	Percent of Total
1985	2	67	20-30	2	67
1986	1	33	Under 10	1	33
Totals	3	100		3	100

WEDNESDAY, MARCH 21, 1990.

RURAL ELECTRIFICATION ADMINISTRATION

WITNESSES

ROLAND R. VAUTOUR, UNDER SECRETARY FOR SMALL COMMUNITY AND RURAL DEVELOPMENT

GARY C. BYRNE, ADMINISTRATOR, RURAL ELECTRIFICATION ADMINISTRATION

GEORGE E. PRATT, DEPUTY ADMINISTRATOR—PROGRAM OPERATIONS

JACK VAN MARK, DEPUTY ADMINISTRATOR

JOHN H. ARNESEN, ASSISTANT ADMINISTRATOR—ELECTRIC

ROBERT PETERS, ACTING ASSISTANT ADMINISTRATOR—TELEPHONE

BLAINE D. STOCKTON, JR., ASSISTANT ADMINISTRATOR—MANAGEMENT

RUTH RAYMOND, DIRECTOR, OFFICE OF BUDGET

MICHAEL W. KELLY, ASSISTANT GENERAL COUNSEL, ELECTRIC AND TELEPHONE DIVISION

STEPHEN B. DEWHURST, BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

OPENING REMARKS

Mr. WHITTEN. The committee will come to order.

We have with us again today Under Secretary Vautour and his associates. We would be glad to have you present any new members, and we'll have their biographical sketch included in the record.

We would be glad to hear from you in connection with the Rural Electrification Administration.

UNDER SECRETARY'S STATEMENT

Mr. VAUTOUR. Thank you, Mr. Chairman.

Before I go into my remarks, I'd like to formally introduce to the committee the new Administrator of the Rural Electrification Administration, Mr. Gary Byrne. He has been Administrator for about two and a half hours now.

Mr. WHITTEN. He looks like he's standing up pretty well to the job.

Mr. VAUTOUR. I'm sure that's some kind of a record. The other gentleman I'd like to introduce is the new Deputy Administrator for REA, and that's George Pratt. George has been with us for several months.

Mr. Chairman, it's always a pleasure to appear before your committee, and I welcome the opportunity to present the highlights of the Rural Electrification Administration's 1991 budget.

The proposal provides a larger program level than was actually used in 1989 or requested in the fiscal year 1990 budget.

Since REA began almost 55 years ago, it has provided low interest direct loans to borrowers who furnish essential services. These services constitute a major contribution toward bringing rural America into the economic mainstream. REA has years of experience in rural telecommunications and electrification. This experience is valuable, and this Administration recognizes these contributions and is committed to continue the programs.

We are happy to report the continuing financial health of the REA borrowers. The financial stress experienced in some areas of rural America has not impacted most REA borrowers who have enjoyed a steady improvement in their equity levels. Many REA borrowers can and do secure private-sector loans without an REA guarantee through such lending institutions as CFC and National Bank for Cooperatives. This is evidence that many are capable of paying cost-of-money rates and is a key consideration in the budget request.

We recognize that some borrowers may be unable to pay market rates, and the budget proposal has provided a level of direct lending for electric and telephone borrowers that will provide a safety net. Based on our review of distribution borrowers over the past three years, the funds provided in the safety net are sufficient to meet their needs.

The revolving fund will also guarantee rural electric loans by commercial lenders. In addition, the Rural Telephone Bank will provide guarantees of privately-originated telephone loans.

The need to bring the Federal deficit under control has caused the Administration to evaluate all Federal loan programs. Today, many programs are being redirected from direct loans to Government guaranteed loan programs. Support in the form of Government guarantees encourages private financial institutions to become primary sources of credit. This stretches limited budgetary resources, allowing us to meet our mutual objectives of providing Federal credit assistance without excessive costs to borrowers or the taxpayers.

Many of the electric generation and transmission—G&T—borrowers are trying to recover from overexpansion of the 1970's and early 1980's. This is not only true of cooperatives, but of investor-owned utilities as well. REA has worked extensively with defaulted borrowers to find ways to recover the funds that are owed the Federal Government. In several places, workout agreements are in place, and borrowers have rescheduled debt payments.

We're in the process of implementing reforms to the loan program to prevent future losses and to avoid possible insolvency of the revolving fund. We are seeking ways to return the generation and transmission borrowers to their excellent repayment record that had been established prior to 1984. Our efforts to minimize losses on existing defaults and prevent future defaults have been redoubled.

The budget proposal that we are discussing today maintains assistance to the financially needy borrowers and provides support to G&T's and other borrowers. The distribution borrowers are financially healthy, and the shift to a guaranteed program will have little effect on generation and transmission borrowers who are already in the guaranteed program.

The budget proposal considers the well being of REA borrowers and the cost of providing subsidized funds, which has an impact on the taxpayers. It is a responsible and, in my judgment, totally defensible budget.

Mr. Chairman, that concludes my remarks, and at this point, I would like to ask Administrator Byrne to give you some of the details that have been outlined in the budget.

[CLERK'S NOTE.—Biographical sketches appear on pages 376 through 378. The Under Secretary's prepared statement appears on pages 379 through 381.]

Mr. WHITTEN. We'd be glad to hear from you, Mr. Byrne.

ADMINISTRATOR'S STATEMENT

Mr. BYRNE. Thank you.

Mr. Chairman and members of the subcommittee, I, too, appreciate this opportunity to appear before you to present the 1991 Budget and Program Proposal for the Rural Electrification Administration.

REA's accomplishments are many, and each year our borrowers' overall financial health steadily improves. The financial strength of the distribution and telephone borrowers is well documented in operating and financial information submitted to REA by the borrowers.

As the Under Secretary noted, the rural electric distribution and telephone borrowers from REA are in a financial condition that compares very favorably with the private electric companies and commercial telephone companies that do not borrow from REA.

For example, as of December 1988, electric distribution borrowers reported $856 million of net margins, a 172 percent increase over ten years ago. The 1989 operating results have not yet been received from borrowers; however, we anticipate that the 1989 results will be comparable to 1988.

As of December 1988, electric distribution borrowers reported $8.5 billion in composite net worth, representing 38 percent of total assets. Ten years ago, net worth was equal to only 31 percent of borrowers' assets. We estimate that for the year ending in December 1989, borrowers' net worth will exceed $9 billion.

REA telephone borrowers also showed strong financial gains through December of 1988. Net margins were $691 million, a 10-year increase of approximately 300 percent.

Net worth was $3.8 billion, or 35 percent of total assets. This represents a 10 percent increase in borrowers' net worth to assets in the last decade.

Many of these borrowers continue to receive loans at five percent interest from the Rural Electric and Telephone Revolving Fund, the RETRF, and the Rural Telephone Bank. Yet, they are capable of satisfying their credit needs from other sources; and many have obtained financial backing from other lending organizations.

The goals outlined in the President's proposal for REA are designed to, first, continue the basic role of REA in providing financial and technical assistance to borrowers.

Second, retain a direct loan program sufficient to the needs of electric borrowers who require Government assistance because of their financial condition. This will form a safety net for the borrowers.

Third, reduce the budgetary impact of Government lending programs by moving REA's financially healthy borrowers from direct Federal loans to guaranteed loans from the private sector.

Fourth, move all telephone lending into the Rural Telephone Bank. The Bank would make direct loans, as well as guarantee private-sector loans. Currently, RTB direct loans are at five percent, which is the same rate charged by the RETRF.

These goals are common to many Federal lending programs. An effort is being made to ensure access to the private sector by providing guarantees while reducing the Federal deficit by limiting direct lending. This movement to Federally-backed rather than direct funding is being proposed at a time when many REA borrowers are in a position to obtain private-sector funds.

RETRF DIRECT LOANS

Recognizing that some of our borrowers may be unable to obtain funds in the private market, the 1991 request includes $200 million for direct electric distribution loans at a five percent rate. These funds will be available for financial hardship cases.

RETRF GUARANTEE OF LOANS MADE BY PRIVATE LENDERS.

The proposed budget supplements the direct lending program with partial guarantees of private-sector loans. Currently, distribution borrowers obtain up to 30 percent of their loan needs from the Banks for Cooperatives, the National Rural Utilities Cooperative Finance Corporation, and other private lenders. A guarantee by the REA will encourage the private sector to make funds available to borrowers. The RETRF will partially guarantee principal and interest payments of privately-originated loans as follows: $700 million will be available for power-supply loans with a 90 percent guarantee; $400 million for electric distribution loans with a 70 percent guarantee.

RURAL TELEPHONE BANK

The Rural Telephone Bank is a $1.5 billion agency of the Government. It is a supplemental source of loan funds for telephone borrowers who are able to pay a higher interest rate than that charged by the RETRF. Under current law, the Bank is making loans at a five percent interest rate, which is the lowest permissible rate, and the same as RETRF.

The Bank's formula-driven interest rate is even lower than the minimum established by law because of the two percent cost of capital provided by stock purchases of the Government. This creates a situation whereby borrowers are obtaining five percent loans from the Rural Telephone Bank and the RETRF. Telephone borrowers enjoy very sound financial health and are well able to pay higher interest rates. Therefore, legislation will be proposed to change RTB interest rates such that the net charge to borrowers equals yields on Treasury rates of comparable maturity.

RTB DIRECT LOANS AND PRIVATE-SECTOR GUARANTEES

The proposed program for the Rural Telephone Bank is $125 million in direct loans and $200 million in partially guaranteed private-sector loans. An appropriation to purchase additional shares of Class A stock is not being requested. The Bank has already been capitalized with $564 million, and additional funds are not needed to ensure the health and stability of RTB.

REIMBURSEMENT TO THE REVOLVING FUND

The fund currently enjoys a strong equity position; therefore, no appropriation is needed to subsidize its operations.

This equity position has been sustained over the past three years by appropriations of $900 million that replaced funds disbursed for defaulting generation and transmission borrowers. Looking at the REA program today, it is worth noting that lack of anticipated growth and high interest costs experienced during construction for some of the G&T borrowers has created financial difficulties that need to be overcome.

We have been working with troubled borrowers to seek solutions to the problems that place them in default. Many now have workout agreements and are currently making debt payments. We will continue with a strong effort to seek recovery of all funds owed to RETRF. Since the fund is currently sound, a reimbursement is not being requested.

RURAL ECONOMIC DEVELOPMENT

No appropriation is requested. Earnings generated by the interest differential on voluntary cushion of credit payments made by REA borrowers will provide funds for this program. The estimated earnings in fiscal years 1990 and 1991 are $985,000 and $1,050,000. In addition, rural electric distribution systems now have the option to invest up to 15 percent of total plant value in rural development projects without REA approval. This has the potential of generating approximately $7 billion in capital that can be available for investment in rural communities. REA supports rural economic development and encourages its borrowers to use their authority to implement rural development projects.

SALARIES AND EXPENSES

An appropriation of $33,055,000 is requested for 531 staff years, including Office of the Administrator. A total of $506,000 is included for the third phase of a four-year plan for office automation. Design of the loan accounting system is proceeding, and funds for the implementation are included. Improvements created by the new system will shorten processing time for advances to our borrowers.

LEGISLATIVE PROPOSALS

Achievement of this new direction for REA lending programs will require legislative changes. REA's legislative proposal will, first, authorize partially guaranteed private-sector loans; second, establish a loan origination fee on all guaranteed commitments;

third, change RTB interest rates; and fourth, place future G&T borrowers in the private sector instead of the Federal Financing Bank.

In summary, the 1991 budget proposal reflects the Administration's commitment to maintain a Rural Electrification Administration Program while recognizing existing budget constraints and other agricultural priorities.

The essential credit needs of REA borrowers will be served by this proposal. REA will continue to provide assistance and expertise to electric and telephone borrowers.

Mr. Chairman, we ask your support of this fiscally sound budget request. This concludes my statement. I will be happy to answer your questions or provide any additional information you need. Thank you very much.

[CLERK'S NOTE.—The Administrator's statement appears on pages 382 through 388. The explanatory notes appear on pages 389 through 449.]

Mr. WHITTEN. Thank you very much. We welcome you before the committee and wish you well and hope we can work together through the years.

PROPOSED LEGISLATION

I thought I understood you to say that you plan to introduce legislation providing for the dollar changes you recommend in your budget proposal.

Have you had anyone introduce the bill as of yet?

Mr. VAUTOUR. At this point, there has not been a bill introduced.

Mr. WHITTEN. Don't you think we'd be unwise to act as though it was going to pass when you've been unable to get this same type of legislation passed for the last ten years?

Mr. VAUTOUR. Well, Mr. Chairman, I don't think I can answer that question.

Mr. WHITTEN. Do you think it answers itself? Well, I'll tell you, the Members on this subcommittee as well as Congress itself realize that this is a big country. The mistake we made in Colonial days was to allow each State to look after itself. That didn't work. As I have pointed out many times, since 1934, when we started meeting local problems with Federal programs, our wealth has increased 41 times. Since 1940, it has increased 36 times.

PRIVATIZATION

There is a new word that the Administration uses, I didn't hear you use it, but its privatization. Last year, the big budget issue was privatization. I say this repeatedly, I've said it before, I tried to look the word up in the dictionary, and there's no such word there.

The best I can understand, it's kind of like when I first came here. The circuit judge, where I had been district attorney for seven or eight courts, wrote me that a friend of ours, whose name I knew, was in to see him and wanted him to write me.

This friend said that the Farmers Home Administration in his community had given his brother a 20 percent kickback. The circuit judge told him that I didn't believe in that and I'd stop it. He said, "Judge, I don't want him to stop it, I want to make him cut me in on it."

We find now that we are going back to Colonial days insofar as budget recommendations are concerned. We're pushing everything back on the States, which means poorer States will get poorer, and richer States will get richer.

I hate to see it.

CUTS IN RURAL PROGRAMS

I hate to see us try to cut these programs that are in rural areas.

I have before me two pages of cuts that the Department is proposing for fiscal year 1991. In addition, every day we hear in the news where we're promising some foreign country financial aid. I don't know where we're going to get the money. But it does bother me to see that folks in your position are parties to cutting back programs in rural areas of the United States.

You know, about 84 percent of the land area of our country is rural, including cities of 50,000 or less. You don't have the kind of cuts the Department is proposing in urban housing, but you stand by and let the Administration recommend cutting the daylights out of rural housing.

I guess you think rural Americans don't deserve the same kind of Government support. Then you ask us to go along with legislation that hasn't even been introduced yet. I believe Mr. Dewhurst testified that your budget was prepared last September. So you've had seven months to get someone to introduce your bill.

I have put this in the record before, and I will put it in again. Since 1981, 811 banks and 586 savings and loans associations have failed, many of them rural. We've both read where we bailed the savings and loans associations out and didn't count it against our debt. However, it doesn't keep us from owing it.

Now, the other side of the picture was, and we've had quite an argument with Farmers Home Administration. To borrow money to produce a crop, a couple of years ago, you had to show that you had the ability to make the payments on everything you owed plus what you borrowed in one year. Of course, when the farmers couldn't show this, and Farmers Home was the lender of last resort, the local banks couldn't lend the farmer what he needed.

Incidentally, I've said this before in this record. Will Rogers was once asked what a holding company was. He said that's the fellow you get to hold something for you while they search you.

So with that situation, to ask us to depend upon banks that are hard put to stay open to guarantee loans and keep this thing going is highly optimistic. If the Government won't loan to farmers then the folks at FDIC who check these local banks are going to frown on farm loans. It happens now.

I realize you're new and we're glad to have you, but I think you're asking us that which you know we can't afford to do.

I have some questions I would like to ask you about the budget request you have presented to the Committee.

PRESIDENT'S BUDGET REQUEST

Please provide, by loan program, the funding levels your agency requested of the Secretary, the levels the Secretary requested of

OMB and the OMB allowance for fiscal year 1991. We would like this information provided for each identifiable loan program.

Mr. BYRNE. The appropriation history for the loan program will be provided for the record.

[The information follows:]

1991 REA LOAN PROGRAM APPROPRIATION HISTORY RECORD

[In thousands of dollars]

	Agency's request	Secretary's request to OMB	OMB allowance
Loans and guarantees:			
Electric program:			
Insured loans	200,000	200,000	200,000
Loan guarantees—FFB			
Loan guarantees—private sector	1,100,000	1,100,000	1,100,000
Total, electric program	1,300,000	1,300,000	1,300,000
Telephone program:			
Insured loans			
Loan guarantees—FFB			
Loan guarantees—private sector	120,000	120,000	
Rural Telephone Bank:			
Direct loans	415,000	415,000	125,000
Loan guarantees—private sector			200,000
Total RTB	415,000	415,000	325,000
Total, telephone program	535,000	535,000	325,000
Rural Economic Development Loans and Grants			
Total, loans and guarantees	1,835,000	1,835,000	1,625,000

SALARIES AND EXPENSES

Mr. WHITTEN. Would you please provide the same information for the Salaries and Expenses account, broken down by object class?

Mr. BYRNE. The appropriation history for REA's Salaries and Expenses account will be provided for the record.

[The information follows:]

1991 REA SALARIES AND EXPENSES APPROPRIATION HISTORY RECORD

[In thousands of dollars]

Object class		Agency's request	Secretary's request to OMB	OMB allowance [1]
1100	Personnel compensation	21,780	21,780	22,375
1200	Personnel benefits	3,942	3,942	3,826
1300	Unemployment compensation	12	12	12
2100	Travel	1,934	1,934	1,934
2200	Transportation of things	86	86	86
2300	Communications and utilities	1,098	1,098	1,098
2400	Printing	352	352	352
2500	Other services	2,346	2,346	2,190
2600	Supplies	531	531	531

1991 REA SALARIES AND EXPENSES APPROPRIATION HISTORY RECORD—Continued

[In thousands of dollars]

Object class	Agency's request	Secretary's request to OMB	OMB allowance [1]
3100 Equipment	651	651	651
Total, salaries and expenses	32,732	32,732	33,055

[1] Note: The OMB allowance for Salaries and Expenses was increased from the 1991 Secretary's request to provide funding for one-half of the 1991 pay raise for 9 months of fiscal year 1991. REA provided the object class breakdown to support total funds and 531 staff years.

ELECTRIC LOAN PROGRAM

Mr. WHITTEN. Please provide a table for the record showing, by state, pending loan applications on hand as of March 1990.

[The information follows:]

RURAL ELECTRIFICATION ADMINISTRATION
LOAN APPLICATIONS STATUS REPORT (ELECTRIC)
(AS OF TUE 4/ 3/90 7:20)

PAGE 1

BUDGET SUMMARY

		5%	2%	INSURED	GUARANTEED
BUDGETED......				622,050,000	813,450,000
APPROVED:	DIST	314,349,000	7,656,000	322,005,000	0
	P/S	0	0	0	0
	TOTAL	314,349,000	7,656,000	322,005,000	0
AVAILABLE.....				300,045,000	813,450,000
ON HAND:	DIST			468,230,000	0
	P/S			71,544,228	200,703,000
	TOTAL			539,774,228	200,703,000
NET-IF APPROVED				-239,729,228	612,747,000
			------COUNTS------		(BOTH)
LOANS					
APPROVED:	DIST	91	1	92	0 (0)
	P/S	0	0	0	0 (0)
	TOTAL	91	1	92	0 (0)
ON HAND:	DIST			116	0 (0)
	P/S			5	5 (3)
	TOTAL			121	5 (3)

LIEN ACCOMMODATIONS

APPROVED:	4	49,069,234
ON HAND:	2	135,000,000
TOTAL	6	184,069,234

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                         RURAL ELECTRIFICATION ADMINISTRATION
                       LOAN APPLICATIONS STATUS REPORT(ELECTRIC)              PAGE 2
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                                                 ON      # OF DAYS IN     DAYS
                                        APR    ORDERS   --------------   SINCE    APC
--ST-BOR-DESG ----     AMOUNT       --  DATE  -- DATE  --AREA--ALOT-- ADM-- APR    DATE
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INSURED LOANS PROGRAM
AWAITING ALLOTMENT

 TN  35 W7          3,052,000.00    8/04/89    3/16/90   223    19     0   242   8/04/89

     ALOT OFFICE TOTAL             $3,052,000.00 FOR    1 LOAN APPLICATIONS
             PROGRAM SUB-TOTAL     $3,052,000.00 FOR    1 LOAN APPLICATIONS
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INSURED LOANS PROGRAM
NE AREA OFFICE

 IL  38 W4         16,806,000.00    6/12/89    6/12/89   295     0     0   295   6/12/89
 IL  41 AG4         4,426,000.00   10/25/89   10/25/89   160     0     0   160  10/25/89
 IN  21 M7            910,000.00    9/08/89    9/08/89   207     0     0   207   9/08/89
 IN  27 AD7           574,000.00    2/27/90    2/27/90    35     0     0    35   2/27/90
 IN  47 V7          2,030,000.00   12/07/89   12/07/89   117     0     0   117  12/07/89
 IN  60 AL7         3,500,000.00    1/10/90    1/10/90    83     0     0    83   1/10/90
 IN  89 AD6         1,400,000.00    9/08/89    9/08/89   207     0     0   207   9/08/89
 KY  20 AG7         2,892,000.00    2/28/90    2/28/90    34     0     0    34   2/28/90
 KY  33 AU7         3,672,000.00   11/09/89   11/09/89   145     0     0   145  11/09/89
 KY  56 AE6         1,251,000.00   11/20/89   11/20/89   134     0     0   134  11/20/89
 KY  61 Y6          1,511,000.00    3/26/90    3/26/90     8     0     0     8   3/26/90
 ME  13 N4            481,000.00    1/16/90    1/16/90    77     0     0    77   1/16/90
 MI  29 Y4          1,172,000.00   12/28/89   12/28/89    96     0     0    96  12/28/89
 MI  43 AK6         2,790,000.00    3/23/90    3/23/90    11     0     0    11   3/23/90
 NC  10 BB6         3,892,000.00    9/05/89    9/05/89   210     0     0   210   9/05/89
 NC  34 AL6         3,150,000.00    2/22/90    2/22/90    40     0     0    40   2/22/90
 NC  35 AR6         6,860,000.00   12/04/89   12/04/89   120     0     0   120  12/04/89
 NC  39 AK6         8,400,000.00    3/23/90    3/23/90    11     0     0    11   3/23/90
 NC  59 AD6         2,800,000.00   11/29/89   11/29/89   125     0     0   125  11/29/89
 NC  66 V6            980,000.00   12/29/89   12/29/89    95     0     0    95  12/29/89
 NJ   6 AF6         2,520,000.00   12/18/89   12/18/89   106     0     0   106  12/18/89
 NY  21 Z6          1,680,000.00   11/20/89   11/20/89   134     0     0   134  11/20/89
 OH   1 AU6         1,989,000.00    1/02/90    1/02/90    91     0     0    91   1/02/90
 OH  75 Y6            980,000.00   10/20/89   10/20/89   165     0     0   165  10/20/89
 OH  87 Y6          1,887,000.00    9/13/89    9/13/89   202     0     0   202   9/13/89
 OH  88 AR6         4,002,000.00    7/25/89    7/25/89   252     0     0   252   7/25/89
 OH  93 AB6           856,000.00    8/31/89    8/31/89   215     0     0   215   8/31/89
 PA   4 AS6         2,335,000.00   12/06/89   12/06/89   118     0     0   118  12/06/89
 PA  20 AS6         2,170,000.00   10/02/89   10/02/89   183     0     0   183  10/02/89
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RURAL ELECTRIFICATION ADMINISTRATION
LOAN APPLICATIONS STATUS REPORT(ELECTRIC)
(AS OF TUE 4/ 3/90 7:20)

--ST-BOR-DESG----			AMOUNT	APR DATE	ON ORDERS DATE	# OF DAYS IN AREA	ALOT	ADM	DAYS SINCE APR	APC DATE
SC	28	AY6	7,087,000.00	1/25/90	1/25/90	68	0	0	68	1/25/90
SC	33	AR6	3,009,000.00	10/13/89	10/13/89	172	0	0	172	10/13/89
VA	2	AM6	840,000.00	8/24/89	8/24/89	222	0	0	222	8/24/89
VA	27	BB6	9,800,000.00	8/30/89	8/30/89	216	0	0	216	8/30/89
VA	30	AL6	1,960,000.00	10/30/89	10/30/89	155	0	0	155	10/30/89
VA	39	AG6	2,170,000.00	9/27/89	9/27/89	188	0	0	188	9/27/89
VA	55	D6	42,350,000.00	9/27/89	9/27/89	188	0	0	188	9/27/89
SC	50	R7	19,106,000.00	9/26/89	9/26/89	189	0	0	189	9/26/89

NE AREA OFFICE TOTAL $188,490,000.00 FOR 41 LOAN APPLICATIONS
PROGRAM SUB-TOTAL $191,542,000.00 FOR 42 LOAN APPLICATIONS

INSURED LOANS PROGRAM
SE AREA OFFICE

--ST-BOR-DESG----			AMOUNT	APR DATE	ON ORDERS DATE	# OF DAYS IN AREA	ALOT	ADM	DAYS SINCE APR	APC DATE
AL	9	AP6	3,990,000.00	8/30/89	8/30/89	216	0	0	216	8/30/89
AL	25	W6	3,012,000.00	8/24/89	8/24/89	222	0	0	222	8/24/89
AL	36	V7	3,906,000.00	12/27/89	12/27/89	97	0	0	97	12/27/89
AL	37	T6	6,160,000.00	11/20/89	11/20/89	134	0	0	134	11/20/89
AR	9	AS6	3,582,000.00	12/14/89	12/14/89	110	0	0	110	12/14/89
AR	11	AA6	1,245,000.00	12/29/89	12/29/89	95	0	0	95	12/29/89
FL	14	BB6	16,614,000.00	12/15/89	12/15/89	109	0	0	109	12/15/89
FL	22	AA6	1,400,000.00	8/24/89	8/24/89	222	0	0	222	8/24/89
FL	26	AR6	3,973,000.00	3/15/90	3/15/90	19	0	0	19	3/15/90
GA	8	Z6	3,122,000.00	9/05/89	9/05/89	210	0	0	210	9/05/89
GA	34	AL6	3,990,000.00	1/10/90	1/10/90	83	0	0	83	1/10/90
GA	45	AH7	1,750,000.00	3/06/90	3/06/90	28	0	0	28	3/06/90
GA	66	AH6	9,191,000.00	1/29/90	1/29/90	64	0	0	64	1/29/90
GA	70	AS6	2,885,000.00	2/07/90	2/07/90	55	0	0	55	2/07/90
GA	77	AR6	16,240,000.00	2/23/90	2/23/90	39	0	0	39	2/23/90
GA	92	AS6	5,121,000.00	2/26/90	2/26/90	36	0	0	36	2/26/90
GA	95	Z6	910,000.00	8/24/89	8/24/89	222	0	0	222	8/24/89
LA	11	AH6	2,017,000.00	6/28/88	6/28/88	644	0	0	644	6/28/88
LA	15	AG6	1,727,000.00	8/16/89	8/16/89	230	0	0	230	8/16/89
MO	37	AL6	2,549,000.00	3/06/90	3/06/90	28	0	0	28	3/06/90
MO	43	AG6	6,907,000.00	11/06/89	11/06/89	148	0	0	148	11/06/89
MO	48	AM6	4,710,000.00	8/18/89	8/18/89	228	0	0	228	8/18/89
MS	45	AD6	7,420,000.00	10/27/89	10/27/89	158	0	0	158	10/27/89
OK	29	AX6	3,854,000.00	2/12/90	2/12/90	50	0	0	50	2/12/90
PR	3	Y7	27,430,000.00	2/20/87	2/20/87	1138	0	0	1138	

RURAL ELECTRIFICATION ADMINISTRATION
LOAN APPLICATIONS STATUS REPORT(ELECTRIC)
(AS OF TUE 4/ 3/90 7:20)

SE AREA OFFICE TOTAL $196,090,228.00 FOR 29 LOAN APPLICATIONS
PROGRAM SUB-TOTAL $387,632,228.00 FOR 71 LOAN APPLICATIONS

INSURED LOANS PROGRAM
NW AREA OFFICE

ST-BOR-DESG	AMOUNT	APR DATE	ON ORDERS DATE	# OF DAYS IN AREA	ALOT	ADM	DAYS SINCE APR	APC DATE
AK 3 AC6	5,937,000.00	10/06/89	10/06/89	179	0	0	179	10/06/89
IA 5 Z6	700,000.00	3/09/90	3/09/90	25	0	0	25	3/09/90
IA 33 T6	840,000.00	1/29/90	1/29/90	64	0	0	64	1/29/90
IA 50 W6	600,000.00	12/29/89	12/29/89	95	0	0	95	12/29/89
IA 77 AD6	1,346,000.00	10/16/89	10/16/89	169	0	0	169	10/16/89
ID 10 AL6	2,139,000.00	12/22/89	12/22/89	102	0	0	102	12/22/89
MN 32 AA6	3,602,000.00	10/10/89	10/10/89	175	0	0	175	10/10/89
MN 37 AB6	1,440,000.00	2/02/90	2/02/90	60	0	0	60	2/02/90
MN 61 AD6	1,400,000.00	1/03/90	1/03/90	90	0	0	90	1/03/90
MN 65 AK6	18,984,000.00	11/15/89	11/15/89	139	0	0	139	11/15/89
MN 89 AE6	1,498,000.00	3/21/90	3/21/90	13	0	0	13	3/21/90
MN 97 AK6	1,674,000.00	10/06/89	10/06/89	179	0	0	179	10/06/89
MN 101 R6	615,000.00	9/14/89	9/14/89	201	0	0	201	9/14/89
MN 108 C6	2,170,000.00	3/05/90	3/05/90	29	0	0	29	3/05/90
MT 33 AC6	1,737,000.00	8/28/89	8/28/89	218	0	0	218	8/28/89
ND 11 AX6	4,852,000.00	10/16/89	10/16/89	169	0	0	169	10/16/89
ND 21 X6	1,759,000.00	10/23/89	10/23/89	162	0	0	162	10/23/89
ND 22 AE7	3,543,000.00	3/01/90	3/01/90	33	0	0	33	3/01/90
ND 30 Y7	2,351,000.00	2/06/90	2/06/90	56	0	0	56	2/06/90
SD 7 Z6	1,445,000.00	9/13/89	9/13/89	202	0	0	202	9/13/89
SD 13 X6	1,589,000.00	10/26/89	10/26/89	159	0	0	159	10/26/89
SD 16 X7	1,194,000.00	8/30/89	8/30/89	216	0	0	216	8/30/89
SD 23 U6	1,886,000.00	12/11/89	12/11/89	113	0	0	113	12/11/89
SD 37 R6	881,000.00	12/18/89	12/18/89	106	0	0	106	12/18/89
WA 8 AP6	1,931,000.00	1/03/90	1/03/90	90	0	0	90	1/03/90
WA 14 AA6	1,071,000.00	12/13/89	12/13/89	111	0	0	111	12/13/89
WA 28 X7	657,000.00	11/06/89	11/06/89	148	0	0	148	11/06/89
WI 49 W6	2,715,000.00	12/27/89	12/27/89	97	0	0	97	12/27/89
IA 83 AB12	18,667,000.00	10/01/89	10/01/89	184	0	0	184	
IA 84 AA12	3,333,000.00	2/09/90	2/09/90	53	0	0	53	2/09/90

NW AREA OFFICE TOTAL $92,556,000.00 FOR 30 LOAN APPLICATIONS
PROGRAM SUB-TOTAL $480,188,228.00 FOR 101 LOAN APPLICATIONS

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                         RURAL ELECTRIFICATION ADMINISTRATION
                     LOAN APPLICATIONS STATUS REPORT(ELECTRIC)              PAGE 5
                            (AS OF TUE  4/ 3/90  7:20)

                                              ON      # OF DAYS IN      DAYS
                                      APR   ORDERS   --------------    SINCE    APC
--ST-BOR-DESG ----     AMOUNT      --  DATE -- DATE  --AREA--ALOT-- ADM-- APR    DATE
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INSURED LOANS PROGRAM
SW AREA OFFICE

  CO   7 AC6        1,400,000.00   5/19/89   1/18/90   306   13    0   319   5/19/89
  CO  17 AP7        3,424,000.00   8/30/89   8/30/89   216    0    0   216   8/30/89
  CO  26 V6         2,741,000.00   3/02/90   3/02/90    32    0    0    32   3/02/90
  CO  33 Y6         1,817,000.00  10/10/89  10/10/89   175    0    0   175  10/10/89
  CO  35 AD6        1,136,000.00   9/13/89   9/13/89   202    0    0   202   9/13/89
  CO  36 AC6        3,735,000.00   2/12/90   2/12/90    50    0    0    50   2/12/90
  CO  38 AG6        2,122,000.00  12/26/89  12/26/89    98    0    0    98  12/26/89
  CO  40 T6           910,000.00  12/06/89  12/06/89   118    0    0   118  12/06/89
  KS  22 K7           247,000.00   3/15/90   3/15/90    19    0    0    19   3/15/90
  KS  39 Y6         1,341,000.00  12/15/89  12/15/89   109    0    0   109  12/15/89
  NE  77 AV7        5 263,000.00  10/26/89  10/26/89   159    0    0   159  10/26/89
  OR  39 X6         1,527,000.00   6/12/89   6/12/89   295    0    0   295   6/12/89
  TX  11 AC6        8,231,000.00   8/29/89   8/29/89   217    0    0   217   8/29/89
  TX  21 Z6           644,000.00  12/15/89  12/15/89   109    0    0   109  12/15/89
  TX  38 AF6        2,594,000.00   3/30/89   3/30/89   369    0    0   369   3/30/89
  TX  40 AP6        3,500,000.00   9/28/89   9/28/89   187    0    0   187   9/28/89
  TX  49 AK6        9,924,000.00   1/02/90   1/02/90    91    0    0    91   1/02/90
  TX  96 AT6        1,800,000.00   1/22/90   1/22/90    71    0    0    71   1/22/90
  TX 149 X6         5,094,000.00   9/14/89   9/14/89   201    0    0   201   9/14/89
  UT   6 AL6        2,136,000.00  10/30/89  10/30/89   155    0    0   155  10/30/89

    SW AREA OFFICE TOTAL          $59,586,000.00 FOR  20 LOAN APPLICATIONS
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          PROGRAM TOTAL          $539,774,228.00 FOR 121 LOAN APPLICATIONS
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                              RURAL ELECTRIFICATION ADMINISTRATION
                            LOAN APPLICATIONS STATUS REPORT(ELECTRIC)              PAGE 6
                                   (AS OF TUE  4/ 3/90  7:20)

                                                ON       # OF DAYS IN       DAYS
                                        APR   ORDERS    ----------------.   SINCE    APC
--ST-BOR-DESG ----     AMOUNT       --  DATE  -- DATE  --AREA--ALOT-- ADM-- APR      DATE
----------------------------------------------------------------------------------------------------

GUARANTEED LOANS PROGRAM
SE AREA OFFICE

  AL  42 AA8       55,500,000.00   2/02/89   2/02/89   425     0     0   425
  AL  42 AB12      38,612,000.00  12/21/89  12/21/89   103     0     0   103
  FL  41 G8        37,207,000.00   9/05/89   9/05/89   210     0     0   210

   SE AREA OFFICE TOTAL        $131,319,000.00 FOR   3 LOAN APPLICATIONS
            PROGRAM SUB-TOTAL  $131,319,000.00 FOR   3 LOAN APPLICATIONS
----------------------------------------------------------------------------------------------------

GUARANTEED LOANS PROGRAM
NW AREA OFFICE

  IA  83 AB12      37,800,000.00  10/01/89  10/01/89   184     0     0   184
  IA  84 AA12      31,584,000.00   2/09/90   2/09/90    53     0     0    53    2/09/90

   NW AREA OFFICE TOTAL         $69,384,000.00 FOR   2 LOAN APPLICATIONS
----------------------------------------------------------------------------------------------------

            PROGRAM TOTAL      $200,703,000.00 FOR   5 LOAN APPLICATIONS
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                          RURAL ELECTRIFICATION ADMINISTRATION
                        LOAN APPLICATIONS STATUS REPORT(ELECTRIC)              PAGE 7
                                 (AS OF TUE  4/ 3/90  7:20)

                                                  ON       # OF DAYS IN      DAYS
                                        APR     ORDERS    --------------    SINCE    APC
--ST-BOR-DESG ----     AMOUNT        --  DATE  -- DATE  --AREA--ALOT-- ADM-- APR     DATE
--------------------------------------------------------------------------------------------------------------------------

OTHER ACTIONS
NE AREA OFFICE

  VA  52 LA1        130,000,000.00   3/19/90   3/19/90    15     0     0     15   3/19/90

    NE AREA OFFICE TOTAL          $130,000,000.00 FOR   1 OTHER ACTIONS
              PROGRAM SUB-TOTAL   $130,000,000.00 FOR   1 OTHER ACTIONS
--------------------------------------------------------------------------------------------------------------------------

OTHER ACTIONS
SE AREA OFFICE

  LA  10 LA1          5,000,000.00   3/26/90   3/26/90     8     0     0      8

    SE AREA OFFICE TOTAL            $5,000,000.00 FOR   1 OTHER ACTIONS
--------------------------------------------------------------------------------------------------------------------------

              PROGRAM TOTAL       $135,000,000.00 FOR   2 OTHER ACTIONS
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Mr. Whitten. What is the number and dollar amount of electric loans that have been approved to date in fiscal year 1990?

Mr. Byrne. REA has approved 92 insured loans for a total of $322,005,000. There have been no guaranteed loans approved in fiscal year 1990.

Mr. Whitten. When were your loan funds apportioned by OMB?

Mr. Byrne. OMB signed the 1990 apportionment for electric loan funds on February 2, 1990. However, prior to that date, written apportionment requests were not required because OMB had released guidance for automatic apportionment. During the period of the continuing resolutions and the final sequester report, accounts were automatically apportioned the lesser of the rate of seasonal obligations or the pro-rata share.

TELEPHONE PROGRAM

Mr. Whitten. Please provide for the record a listing by state of the pending telephone loan applications on hand as of March 1990.

[The information follows:]

TELEPHONE LOAN APPLICATIONS ON HAND AS OF MAR. 1, 1990

[Dollar amounts in thousands]

State	Number of completed loan applications	Amount
Alabama	1	3,079,700
Arkansas	2	35,363,700
Arizona	2	13,691,050
Georgia	3	24,709,600
Iowa	1	1,516,000
Idaho	1	2,657,000
Illinois	2	4,152,000
Indiana	2	2,762,300
Kansas	1	390,000
Kentucky	1	7,908,800
Louisiana	4	86,596,500
Maine	1	1,473,000
Michigan	1	2,376,000
Minnesota	3	7,845,100
Mississippi	1	3,843,700
Missouri	2	14,720,350
Montana	1	1,634,000
Nebraska	1	1,475,000
New Hampshire	1	2,500,000
North Carolina	2	36,123,000
North Dakota	1	2,557,000
Ohio	1	1,037,000
Oklahoma	3	6,633,750
Oregon	1	340,425
South Carolina	1	3,842,000
Tennessee	3	23,630,300
Texas	4	17,107,350
Vermont	2	4,461,200
Virginia	2	12,955,000
West Virginia	2	5,384,700
Wisconsin	2	2,183,000
Wyoming	1	2,036,000
Total [1]	56	336,984,525

[1] Total include 11 loans awaiting approval or borrowers' concurrence in the amount of $34,816,750.

Mr. Whitten. What is the number and dollar value of telephone loans approved thus far in fiscal year 1990?

Mr. Byrne. Six telephone loans were approved through March 16, 1990, A breakdown of these loans will be provided for the record.

[The information follows:]

Source	Number	Amount
RETRF insured	2	$3,932,000
Rural telephone bank	4	104,169,450
Total	6	108,101,450

Mr. Whitten. When were these funds apportioned by OMB?

Mr. Byrne. The apportionment schedule was signed by OMB on February 2, 1990. Prior to that date, the OMB guidelines of automatic apportionment were also in effect for the telephone loan program. The amounts made available were the lesser of the rate of seasonal operations or the pro-rata share.

PROPOSED LEGISLATION

Mr. Whitten. You are once again proposing legislation that will provide for a 90- or 70-percent guarantee of electric and telephone loans by the private sector as opposed to a 100-percent guarantee by REA to the Federal Financing Bank. When do you anticipate that this legislation will be introduced?

Mr. Byrne. The legislation is still undergoing the clearance process and we anticipate that it will be introduced in the Spring of 1990.

Mr. Whitten. Since you made essentially the same proposal last year, when was this legislation introduced in fiscal year 1989?

Mr. Byrne. The legislation for fiscal year 1989 was not introduced to the 101st Congress.

Mr. Whitten. At any point in the budget process was a 100-percent guarantee considered and if not, why not? You currently give a 100-percent guarantee to FFB.

Mr. Byrne. Longstanding Administration policy requires any agency's 100 percent guarantees to be originated by the FFB, since a financial instrument is created which would compete with Treasury securities. Furthermore, FFB loans obligated which are based on agency 100 percent guarantees are required by the Gramm-Rudman-Hollings Act to be scored as direct loans of the guaranteeing agency. Therefore, proposing 100 percent guarantees is the same as proposing direct loans at Treasury interest rates.

The percentage for the guarantee was developed around the current REA/supplemental lender mix in the insured loan program—70-percent REA, 30-percent supplemental lender. We believe that lenders such as the National Rural Utilities Finance Corporation and CoBank, which currently provide 30 percent of borrowers' financing, will continue to be willing lenders with the REA 70-percent guarantee.

Mr. Whitten. You are also proposing legislation that would require an origination fee of 1 percent and that fee would be increased each year through 1995, reaching 3 percent at that point. Would the borrower be allowed to finance the origination fee?

Mr. **Byrne**. Yes, the proposed legislation would allow for the borrower to finance the guarantee fee.

UNOBLIGATED BALANCES

Mr. **Whitten**. Please provide a table for the record which reflects your total unobligated loan balances. Carryovers should be reflected by year with separate amounts shown for the electric and telephone programs.

[The information follows:]

CARRYOVER OF RETRF LOAN FUNDS

[Dollars in thousands]

	Telephone loan program			Electric loan program		
	Minimum loan level	Obligations	Carryover	Minimum loan level	Obligations	Carryover
Fiscal year:						
1975	200,000	199,939	61	700,000	700,000	0
1976	250,000	250,061	(61)	750,000	750,000	0
TQ	62,500	62,438	62	187,500	187,500	0
1977	250,000	233,274	16,726	750,000	850,000	0
1978	250,000	266,603	(16,603)	750,000	900,000	0
1979	250,000	249,931	69	850,000	999,978	0
1980	250,000	250,098	(98)	850,000	925,000	0
1981	250,000	249,788	212	850,000	850,000	0
1982	250,000	249,345	655	850,000	850,000	0
1983	250,000	250,758	(758)	850,000	850,000	0
1984	250,000	228,559	21,441	850,000	850,000	0
1985	250,000	224,589	25,411	850,000	562,029	287,971
1986	239,250	183,340	55,910	622,050	651,933	(29,883)
1987	239,250	229,787	9,463	622.050	628,390	(6,340)
1988	239,250	193,411	45,839	622,050	622,050	0
1989	239,250	214,149	25,101	622,050	622,050	0
Total			183,430			251,748

Note: Grand total as of Sept. 30, 1989, $435,178

Mr. **Whitten**. For the record, what efforts are you making to reduce these balances and what is your plan for achieving a zero balance in these carryover accounts?

Mr. **Byrne**. The carryover balances are currently being used and are not apportioned by OMB.

The 1991 budget proposal will be adequate to meet the capital needs of the REA borrowers and it will not be necessary to use the prior year carryover balance.

[**Clerk's Note**.—The information provided for the record does not respond to the question.]

RURAL ECONOMIC DEVELOPMENT SUBACCOUNT

Mr. **Whitten**. In view of the President's and Secretary's Rural Development Initiative, why are you proposing no funding for the Rural Economic Development Subaccount?

Mr. **Byrne**. Under the mechanism established in the RE Act, the Rural Economic Development Subaccount is credited on a monthly basis with an amount that is based on REA borrowers' cushion of credit payments. Based on the current level of cushion of credit payments, approximately $1.5 million will be available annually to fund zero-interest loans and grants. This, together with the principal repayments on the $5.5 million that has been appropriated for loans in FY 1989 and 1990, will provide adequate funding for the program in the future. In addition, the electric borrowers have authority to make investments in or loan guarantees to rural economic development projects up to 15 percent of their total utility plant. As of 1989, this would amount to approximately $7 billion.

Mr. WHITTEN. Please provide for the record a list of all loans and grants made to date under this program, indicating both the amount and purpose.

[The information follows:]

REA's Rural Economic Development Loan and Grant Program

Preapplications selected on May 1, and May 11, 1989 for the First Preapplication Period

North Pine Electric Cooperative (Minn. 89) - $25,000 Loan

- Electrical wiring for a tool & die company in a renovated building.

Brunswick Electric Membership Corporation (NC 40) - $100,000 Loan

- Non-profit business incubator to encourage business formation.

Lumbee River Electric Membership Corporation (NC 51) - $50,000 Loan

- Partial funding for the addition of a production line at a factory.

The Pine Telephone Company (OK 550) - $70,000 Loan

- Construct a TV broadcast transmitter for classroom teaching of home bound students.

Cheyenne River Sioux Tribe Telephone Authority (SD 533) - $100,000 Loan

- Building renovation, equipment & staff training to expand a printing business.

Volunteer Electric Cooperative (TN 1) - $100,000 Loan

- Industrial development park.

Sequachee Valley Electric Cooperative (TN 35) - $100,000 Loan

- Establish a cutlery factory.

Total $545,000 (7 Loans)

REA's Rural Economic Development Loan and Grant Program

Preapplications selected on July 28, 1989 for the June 1-14, 1989 Preapplication Period

The Terril Telephone Company (Iowa 656) - $70,000 Loan

- Establish a plastic injection molding factory.

Southwest Louisiana Electric Membership Corporation (LA 9) - $63,800 Loan

- Development costs for establishing a business incubator.

Oceana Electric Cooperative (Mich. 41) - $100,000 Loan

- Construct a filing cabinet manufacturing factory.

North Star Electric Cooperative (Minn. 95) - $100,000 Loan

- Supplemental financing to establish a particleboard manufacturing factory.

Sac Osage Electric Cooperative (MO 55) - $20,000 Loan

- Expand a canopy door manufacturing factory.

Blue Ridge Electric Membership Corporation (NC 23) - $100,000 Loan

- Non-profit incubator to encourage new business formation.

The Northwestern Rural Electric Cooperative Assoc. (PA 4) - $16,200 Loan

- Design and planning of a light industrial park.

Volunteer Electric Cooperative (TN 1) - $30,000 Loan

- Business incubator.

Tri-County Electric Membership Corporation (TN 9) - $100,000 Loan

- Construct a building in an industrial park.

Total $600,000 (9 Loans)

REA's Rural Economic Development Loan and Grant Program

Preapplications selected on September 25 and 29, 1989 for the August 1-14, 1989 Preapplication

East Mississippi Electric Power Association (Miss 45) - $100,000 Loan

- Rural industrial incubator in Kemper County.

Sequacheee Valley Electric Cooperative (Tenn 35) - $100,000 Loan

- Industrial buildings in Bledsoe and Grundy Counties.

Pee Dee Electric Cooperative (South Carolina 26) - $100,000 Loan

- Construct a package sewer treatment facility and lines.

West Plains Electric Cooperative (North Dakota 33) - $50,000 Loan

- Research to develop double loop heat pump and storage heat pump booster.

Parke County Rural Electric Membership Corporation (Indiana 42) - $100,000 Loan

- Start-up costs for Diesel-Dynamics Manufacturing company.

United Electric Cooperative (Penn 28) - $100,000 Loan

- Crafts Production Incubator/Catalog Distribution Center.

Iowa Lakes Electric Cooperative (Iowa 92) - $100,000 Loan

- Building shell for commercial / industrial use on short-term notice.

Fulton Telephone Company (Miss 521) - $75,000 Loan

- To acquire & renovate a building to be the headquarters of the Itawamba County Development Council.

Total	$725,000	(8 Loans)
Total FY 89	$1,870,000	(24 Loans)

REA's Rural Economic Development Loan and Grant Program

Preapplications selected on December 1 and December 6, 1989 for the October 1 - 14, 1989 preapplication period.

Electric Program

Northeast Oklahoma Electric Cooperative (OK 20) - $50,000 Loan

- Water system for city of Lindsay.

Broad River Electric Cooperative (SC 33) - $95,000 Loan

- Water and sewer expansion project for proposed truck plaza.

Telephone Program

Cambridge Telephone Company (ID 512) - $100,000 Loan

- Expansion of alfalfa hay and wood pelleting operation.

River Valley Telephone Cooperative (IA 608) - $30,000 Loan

- Start-up of a manufacturing operation to produce roll-out metal beds for mini-vans.

Blackfoot Telephone Cooperative (MT 517) - $50,000 Loan

- Senior citizens' center for community of Seeley Lake.

Total $325,000 (5 Loans)

REA's Rural Economic Development Loan and Grant Program

Preapplications selected on February 20, 1990 for the December 1 - 14, 1989 preapplication period.

Electric Program

Clinton County Electric Cooperative, Inc. (IL 45) - $100,000 Loan

- Site improvements for an industrial park.

Lumbee River Electric Membership Corporation (NC 51) - $75,000 Loan

- To construct a model demonstration turkey farm.

Oliver-Mercer Electric Cooperative, Inc. (ND 32) - $100,000 Loan

- Start-up costs for a clay target manufacturing company.

Kit Carson Electric Cooperative, Inc. (NM 11) - $45,000 Loan

- Continued development and expansion of Taos County Business Incubator.

Rural Electric Cooperative, Inc. (OK 20) - $100,000 Loan

- To conduct feasibility studies and prepare a business plan for a solid waste management program to reduce landfill material.

Volunteer Electric Cooperative (TN 1) - $100,000 Loan

- Industrial building in Appalachian county; Meigs County, TN.

Tri-County Electric Membership Corporation (TN 9) - $100,000 Loan

- To purchase a building for a plastic injection molding plant.

Total Electric Program - $620,000 (7 Loans)

Telephone Program

Mutual Telephone Company (IA 503) - $100,000 Loan

- Site acquisition and preparation for the redevelopment of a downtown business district.

Hospers Telephone Exchange, Inc. (IA 634) - $100,000 Loan

- Expansion of a company that will manufacture plastic tanks for farm use.

Federated Telephone Cooperative (MN 562) - $75,000 Loan

- For a warehouse and equipment to establish a seed cleaning facility at a farm elevator.

Ridge Telephone Company, Inc. (SC 502) - $100,000 Loan

- Acquisition and renovation of a building to house an organization that administers various economic and community development programs.

Dell Telephone Cooperative, Inc. (TX 569) - $15,000 Loan

- Renovation of a community activity center.

Total Telephone Program - $390,000 (5 Loans)

Total $1,010,000 (12 Loans)

CUSHION OF CREDIT PAYMENT

Mr. **Whitten**. According to page 12g–1 of the explanatory notes, the advance payment/cushion of credit balance was $29.0 million as of September 30, 1989, a decrease of $6.3 million from a year earlier. What is the reason for the decrease?

Mr. **Byrne**. The decrease is due to borrowers using funds in the advance payment/cushion of credit accounts to make payments on loans.

AGENCY TRAINING

Mr. **Whitten**. According to page 11g–5 of the notes you say that 250 employees were trained on various aspects of computer use during fiscal year 1989. Where were these training sessions held and what was the cost?

Mr. **Byrne**. Laptop computer training was held at Xerox Corporation in Leesburg, Virginia. The cost was $617 per participant, or a total of $101,188.

CD–ROM Application Seminar was held at George Mason Law School, Arlington, Virginia. The total cost was $6,500.

Lotus 1–2–3, MS-DOS, and MS–WORD training were held at Brennan Associates in Arlington, Virginia; Tasqe in Bethesda, Maryland; and Computer Consultants in Washington, D.C. The total cost was $6,500.

LAP-TOP COMPUTERS

Mr. **Whitten**. In fiscal year 1988 you purchased 156 lap-top computers for the field staff. How many lap-top computers did the agency purchase during fiscal year 1989?

Mr. **Byrne**. REA has not purchased any lap-top computers since September 1988.

Mr. **Whitten**. In 1988 is it correct that the cost was $3,729 each for 156 units?

Mr. **Byrne**. In September 1988, the hardware cost of the Zenith Supersport 286 Model 40 with numeric keypad, internal model and external 5.25" 360 KB diskette drive was $3,729 each; and 156 units were purchased.

Mr. **Whitten**. How many PC's did you purchase in fiscal year 1989 and what was the make and unit cost?

Mr. **Byrne**. REA purchased 75 PC's in fiscal year 1989. The make, number, and unit costs will be supplied for the record.

[The information follows:]

Make	Number	Unit cost
AT&T 6386	68	$4,450
AT&T 6383E	4	10,238
Compaq 386/33	2	11,730
Wang PC 382	1	12,844

TELEPHONE SERVICE

Mr. WHITTEN. You state on page 12g-12 of the notes that approximately 500,000 rural people do not have telephone service. How many families would that represent?

Mr. BYRNE. The 500,000 person number represents estimated subscribers. Therefore, the estimated number of families would be 500,000.

TECHNICAL ASSISTANCE

Mr. WHITTEN. In the 1990 Appropriations Act the Congress earmarked "not less than $500,000" to provide community and economic development technical assistance and that such technical assistance shall "be made available within 90 days of enactment." What have you done to carry this out?

Mr. BYRNE. REA will use its employees to provide community and economic development assistance to rural electric and telephone systems in accordance with the Fiscal Year 1990 Agriculture Appropriations Act. I will provide for the record a detail of the steps that will be taken to carryout this program.

[The information follows:]

1. Establish a position at REA for a Rural Economic Development Coordinator to provide community and technical assistance to borrowers in their economic development efforts.
2. Provide funding for two positions at the Rural Information Center, National Agricultural Library.
3. REA will continue to provide technical assistance in connection with the zero-interest loan and grant program.
4. REA will develop or accumulate material on rural economic development for dissemination to REA borrowers.
5. REA will sponsor, with the assistance of the electric and telephone trade organizations, a rural development conference this summer. REA sponsored a successful rural development conference in August 1989.
6. REA officials will make presentations at State and regional meetings throughout the country in 1990.

Mr. WHITTEN. What is the estimated budget for this for fiscal year 1990 and fiscal year 1991?

Mr. BYRNE. The budget for fiscal year 1990 is the $500,000 earmarked by Congress from the regular Salaries and Expenses appropriation. We anticipate a similar level of funding will be designated for fiscal year 1991.

Mr. WHITTEN. Please list for the record the names of the individuals assigned to this activity.

Mr. BYRNE. We are in the process of hiring a Rural Development Coordinator as well as establishing and funding two positions at the Rural Information Center which is a part of the National Agricultural Library. Currently, the coordinator work is being handled out of the office of the Assistant Administrator for Management by Blaine Stockton and Mark Wyatt. In addition, the electric and telephone program area offices are processing the rural economic development loans as collateral duties. Frank Bennett, Deputy Assistant Administrator for Electric, and Barbara Eddy, Acting Deputy Assistant Administrator for Telephone, serve as the focal points for the electric and telephone programs and work closely with the Assistant Administrator for Management to coordinate the agency's overall efforts in this area.

Mr. **Whitten**. Please include in the record any correspondence related to this activity.

Mr. **Byrne**. I will provide copies of correspondence on REA's program of providing community and economic development technical assistance to REA borrowers for the record.

[The information follows:]

United States
Department
of Agriculture

Rural
Electrification
Administration

Office
of the
Administrator

Washington,
D C
20250

FEB 27 1990

SUBJECT: Filling Position of Rural Economic Development Coordinator

TO: Richard E. Lynch
Director
Personnel Management Division

REA is establishing a position of Rural Economic Development Coordinator as part of our continuing efforts to promote economic development in rural America. Your office should take all necessary steps to fill this position which will be under the Assistant Administrator - Management. A copy of the job description is enclosed.

As you are aware, REA is authorized to make zero interest loans and grants to borrowers under the Rural Electrification Act (RE Act), as amended, for the purpose of promoting rural economic development and job creation projects. In addition, electric borrowers have authority under the RE Act to invest their own funds or make loans or guarantees up to 15 percent of their total utility plant without any restriction or prior approval from REA. Under REA regulations, electric borrowers are encouraged to use the latitude afforded them by this provision of the RE Act primarily to make investments in rural community infrastructure projects and job creation activities.

In addition to the legislated programs, the President's Initiative on Rural Economic Development for the 1990's recommends an overall improvement in the coordination of Federal, State and local government rural development efforts. It also calls for an improvement in the support and assistance of rural communities engaged in development activities.

The Rural Economic Development Coordinator will be responsible for coordinating REA's efforts in each of these rural development initiatives. More specifically, the Coordinator will advise and provide technical assistance to borrowers with respect to the promotion of rural economic development and job creation projects, including the use of the zero interest loan and grant program, and for electric borrowers, the authority to invest their own funds or make loans or guarantees up to 15 percent of their total utility plant.

In addition to providing technical assistance, the Coordinator will work with the Rural Information Center in disseminating information and directing people to other organizations that are promoting economic development. The Coordinator will be responsible for developing regulations and procedures for REA's rural development programs, providing assistance to other REA personnel and working with other organizations throughout the country that are promoting economic development.

Establishing the position of Coordinator will bring REA's rural economic development activities into focus and also compliment the President's recently announced initiative.

Jack Van Mark

JACK VAN MARK
Acting Administrator

Enclosure

United States
Department of
Agriculture

VACANCY ANNOUNCEMENT

Candidates will be considered without discrimination for any non-merit reason such as race, color, religion, sex, national origin, age, marital status, physical or mental handicap, or membership or nonmembership in an employee organization

ANNOUNCEMENT NO: REA 90-17

OPENING DATE: March 12, 1990

CLOSING DATE: March 30, 1990

CONTACT:
Rose Mary Rowland (202) 382-9560
USDA - REA (TDD 382-9453)
Room 4030 - South Building
Washington, D.C. 20250-1500

SF-171 and performance appraisal must be received by the close of business on March 30, 1990.

POSITION TITLE, SERIES, GRADE:
Rural Economic Development Coordinator
GM-301-14 (Merit Pay Position)

PROMOTION POTENTIAL: None

LOCATION OF POSITION:
Rural Electrification Administration
Assistant Administrator - Management

AREA OF CONSIDERATION:
Government-wide
Relocation expenses will not be paid. *********

DUTIES AND QUALIFICATION REQUIREMENTS. Incumbent serves as the Agency's Rural Development Specialist. As such, incumbent is responsible for coordinating REA's efforts to promote rural economic development and job creation projects in rural areas. Responsible for formulating and developing regulations, procedures, directives, and staff instructions concerning the execution of Agency rural development activities. Provides advice and counsel to borrowers and their associations with respect to the promotion of rural economic development and job creation projects, including the use of the zero interest loan and grant program.

MINIMUM QUALIFICATIONS: X-118 Qualification Standards apply.

Specialized Experience: One year of specialized experience which is in or directly related to the line of work described above and which has equipped the applicant with the particular knowledge, skills, and abilities to successfully perform the duties of the position. The experience must have been equivalent to the GS-13 level. Federal time-in-grade requirements apply.

EVALUATION CRITERIA: (Applicant should describe how he/she meets criteria.)

A. Ability to communicate in writing in order to prepare regulations, procedures, guidelines, etc.
B. Ability to communicate verbally in order to serve as a liaison to other Agencies, rural development groups, and REA borrowers.
C. Knowledge of rural economic development programs.
D. Knowledge of Federal regulations relating to lending and/or grant programs.

Handicapped individuals, former Peace Corps, VISTA, ACTION Cooperative Volunteers, VRA eligibles, and 30 percent disabled veterans may be considered under special hiring authorities.

SPECIAL NOTE: Male applicants born after December 31, 1959, are required to complete a Pre-Employment Certification Statement for Selective Service Registration prior to appointment. Failure to comply may be grounds for withdrawal of an offer of employment, or dismissal after appointment.

- OVER -

For supervisory or managerial positions, candidate is subject to a probationary period unless prior supervisory or managerial experience is creditable.

THE USE OF POSTAGE-PAID AGENCY ENVELOPES IN FILING APPLICATIONS IS A VIOLATION OF FEDERAL LAW

AD-611 (8-83)

BACKGROUND SURVEY QUESTIONNAIRE: We are requesting that all applicants complete and submit OPM Form 1386, Background Survey Questionnaire, with the SF-171. However, completion is strictly voluntary and will in no way impact on your consideration.

WHEN APPLYING, PLEASE BE SURE TO INDICATE ANNOUNCEMENT NUMBER REA 90-17.

COPY

FEB 28 1990

The Honorable Quentin N. Burdick
Chairman, Subcommittee on Agriculture,
  Rural Development and Related Agencies
Committee on Appropriations
United States Senate
Washington, D.C. 20510-6025

Dear Mr. Chairman:

Thank you for your recent inquiry about the Rural Electrification Administration's (REA) plans to provide community and economic development technical assistance to rural electric and telephone systems.

REA's plan has three major components: 1) The creation within REA of the position of Rural Economic Development Coordinator; 2) A cooperative effort with USDA's Rural Information Center to provide project specific community and economic development information and technical assistance to electric and telephone corporatives; and 3) The establishment by REA of an outreach initiative that will promote the services of the agency relative to community and economic development.

Components one and two are nearing finalization and REA expects to begin the search for a Rural Economic Development Coordinator in the very near future. Component three will be more specifically addressed upon the appointment of the coordinator and the establishment of the technical assistance program.

This plan will add focus to REA's rural development activities and will also serve to complement the President's recently announced initiative. The cooperative nature of this enterprise will magnify the influence of the REA funds and will benefit the nearly 2000 rural electric and telephone cooperatives by providing them access to a broad array of information and technical assistance.

Sincerely,

Signed

Clayton Yeutter
Secretary

PROMOTION OF AGRICULTURAL EXPORTS

Mr. WHITTEN. In 1982 the Committee contacted REA regarding the translation of REA publications into Arabic and Spanish. The idea was that developing countries would accept U.S. Government publications and specifications but are leery of private business publications. Translations by the U.S. Government would help open up a major export market for pine telephone poles.

At that time, REA advised the Committee they had no authority to translate their publications.

In the fiscal year 1983 bill, the Congress added a general provision giving REA authority to translate publications, but REA failed to translate the publications.

In the fiscal year 1984 bill, Congress earmarked up to $5,000 for the translation of publications; but REA refused to translate the publications.

In fiscal year 1985 the publications were finally translated and available to help promote the export of U.S. telephone poles.

How many copies of the translated publications are currently in stock?

Mr. BYRNE. There was only one request for the documents following their availability in French, Spanish, and Arabic. We have not had subsequent revisions of the publication translated. REA does maintain a file copy of the earlier versions in French, Spanish and Arabic.

Mr. WHITTEN. Who is responsible for maintaining these publications?

Mr. BYRNE. The Electric Staff Division is the responsible office for all technical aspects of this publication. Any revisions would be initiated from that office.

Mr. WHITTEN. What efforts are made by REA to make the trade, FAS, or foreign countries aware of the existence of these publications?

Mr. BYRNE. Copies of new and revised publications are distributed to REA borrowers and their business associates, as appropriate. Also, these publications are incorporated into an Index of Publications which is available upon request from REA's Administrative Services Division.

Mr. WHITTEN. As Administrator of REA, do you feel any responsibility for assisting in the export of U.S. agricultural products?

Mr. BYRNE. Foreign Agricultural Service and Office of International Cooperation and Development have the primary responsibility within USDA for the promotion of U.S. Agriculture products in foreign countries. REA will cooperate with the responsible agencies to the extent that such assistance is requested.

EQUIPMENT

Mr. WHITTEN. Last year your budget estimated your 1989 equipment purchases at $722,000, but now you show an actual cost of $955,961. What caused the increase?

Mr. BYRNE. The purchase of the Power Supply and Planning Software for $205,400 was the major item of increase in the 1989 equipment account. The software was acquired to improve REA's ability to review and monitor complex power-supply planning activities of borrowers. The software and services were developed by the private sector in response to the needs of the electric utility industry and will be updated annually. This software is used extensively throughout the electric utility industry.

Mr. **Whitten**. Would you please provide for the record a monthly oligation listing of your equipment purchase for fiscal years 1988 and 1989?

Mr. **Byrne**. The monthly obligation listing for equipment purchases will be provided for the record.

[The information follows:]

FISCAL YEAR 1988 AND 1989 MONTHLY OBLIGATIONS FOR EQUIPMENT

	1988	1989
October	$100	
November	10,651	$644
December	39,677	25,635
January	15,871	13,126
February	21,087	23,281
March	6,948	10,039
April	5,227	96,825
May	42,800	327,669
June	126,699	80,709
July	1,698	92,983
August	6,257	
September	1,178,761	285,050
Total	1,455,776	955,961

Note: In September 1988, REA purchased 156 lap-top computers for the field staff. In September 1989, $205,400 was obligated for the Power Supply and Planning Software.

OTHER SERVICES

Mr. **Whitten**. Last year you estimated that your "Other Services" costs for fiscal year 1990 would be $1,995,000. You are now estimating $1,509,000. What caused this large change in your estimate?

Mr. **Byrne**. Agencies were required to absorb the full 1990 Pay Act. All non-critical services were reduced in order to provide funds for the payroll and employee benefits that maintain staff levels sufficient to administer the programs.

Mr. **Whitten**. Would you please provide a sub-object class breakdown for the Other Services account for fiscal years 1989, 1990, and 1991?

Mr. **Byrne**. The sub-object class breakdown of the Other Serivces account for fiscal years 1989, 1990, and 1991 will be provided for the record.

[The information follows:]

OTHER SERVICES SUB-OBJECT CLASS BREAKDOWN

Object class	Description	1989 actual	1990 estimate	1991 estimate
2510	Contract services—other Agencies	$273,854	$289,000	$320,000
2520	Related expenditures	176,534	121,000	243,000
2530	Repair, alteration, or maintenance	266,197	315,000	415,000
2540	Other contract services	162,273	170,000	110,000

OTHER SERVICES SUB-OBJECT CLASS BREAKDOWN—Continued

Object class	Description	1989 actual	1990 estimate	1991 estimate
2550	Agreements	563,701	190,000	600,000
2560	ADP services and supplies	179,800	245,000	305,000
2570	Miscellaneous services	159,482	175,000	192,000
2580-90	Other items	3,452	4,000	5,000
	Total, other services	1,785,293	1,509,000	2,190,000

Mr. **Byrne**. Other Services costs for FY 1990 are being held at minimum levels in order to absorb the increase in pay and benefits for personnel. Within the amounts for Other Services, the 1991 Budget request provides an increase of $250,000 to implement the new design of the accounting system; $100,000 for additional computer training; and $268,000 for computer equipment maintenance and the purchase/support of a compact disk, read-only memory for storing staffing instructions, bulletins, and forms.

TRAVEL

Mr. **Whitten**. Last year you estimated that your fiscal year 1990 travel costs would be $2,278,000. Now you are estimating $1,780,000. What caused the $500,000 decrease?

Mr. **Byrne**. The absorption of the pay raise forced reductions in headquarters travel. Travel funds for field staff were not reduced.

CONTRACTS

Mr. **Whitten**. Would you please provide for the record a listing of all ADP study contracts that were entered into by REA during fiscal year 1989 and those that have been entered into to date for fiscal year 1990?

Mr. **Byrne**. In fiscal year 1989, REA entered into an agreement with the General Services Administration, GSA, to perform a functional requirements analysis and general system design for loan accounting and management post-approval system. The GSA contract is with American Management System, Inc., and the cost of the agreement was $462,000.

REA has not entered into any ADP study contracts during fiscal year 1990 and none are planned at this time. American Management System is currently working with REA staff on design requirements.

Mr. **Whitten**. Would you please list for the record all contracts with consultants that the agency entered into during fiscal year 1989 and those entered into to date for fiscal year 1990?

Mr. **Byrne**. During fiscal year 1989, the Agency entered into consultant contracts with Putnam, Hayes and Bartlett, Inc.; RCG/Hagler, Bailly, Inc.; and Kidder, Peabody & Company. The first two firms provided assistance in recommending financial solutions to troubled borrowers. The third firm served as a financial advisor for the Rural Telephone Bank. No consultant contracts have been entered into for fiscal year 1990.

CONFERENCES

Mr. Whitten. Did REA hold any management conferences outside the Washington area during fiscal year 1989? If so, where were they held, who attended, what was the cost of each conference, including airfare and per diem?

Mr. Byrne. REA held six management conferences outside the Washington area during fiscal year 1989. The locations, attendees, and cost will be supplied for the record.

[The information follows.]

Location	Attendees	Cost
Phoenix, AZ	All electric program field staff	$45,653
Tampa, FL	Northeast telephone program field staff	8,219
Hilton Head, SC	Southeast telephone program field staff	12,966
Minneapolis, MN	Northwest telephone program field staff	7,536
Monterey, CA	Southwest telephone program field staff	10,365
Phoenix, AZ	All borrower accounting division field staff	43,090

FOREIGN TRAVEL

Mr. Whitten. Did any REA employees travel outside the United States on REA business during fiscal year 1989? If so, please provide the details of such travel for the record.

Mr. Byrne. The information on travel outside the United States will be supplied for the record.

[The information follows:]

FISCAL YEAR 1989 TRAVEL OUTSIDE THE UNITED STATES

Name	Date of travel	Destination
George Bagnall	06/19/89–06/23/89	Canada
Larry Belluzzo	01/26/89–02/07/89	Guam, Pohnpei, Majuro Kwajalein
Ken Chandler	04/27/89–05/12/89	Guam, Saipan, Palau
Ronald Dvorak	04/27/89–05/12/89	Guam, Saipan, Palau
Elizabeth Gorski	03/02/89–04/03/89	Saipan, Guam, Majuro, Marshall Island
Randy Jenkins	08/19/89–08/27/89	St. Thomas, Virgin Islands
Bruce Marti	03/02/89–03/30/89	Saipan, Guam, Majuro, Marshall Island
Jack Van Mark	09/07/89	Canada
Frank Whitehouse	06/13/89–06/25/89	St. Thomas, Virgin Islands
James Williams	08/20/89–08/25/89	St. Thomas, Virgin Islands
Ronald Dvorak	01/20/89–02/06/89	Guam, Pohnpei, Majuro

Mr. Whitten. Did any REA employees travel outside the U.S. on travel that was paid for by another agency or department? If so, provide the details for the record.

Mr. Byrne. REA paid the travel cost for all employees who traveled outside the United States on agency business.

OFFICE OF THE ADMINISTRATOR

Mr. Whitten. Please provide for the record an object class breakdown for the Administrator and his immediate office for fiscal years 1989, 1990, and 1991.

Mr. **Byrne**. The object class breakdown of the Office of the Administrator will be provided for the record.

[The information follows:]

OBJECT CLASS BREAKDOWN

Object class	Description	Fiscal year— 1989 actual	1990 estimate	1991 estimate
1100	Personnel compensation	$47,984	$145,000	$168,000
1200	Personnel benefits	8,085	25,000	36,000
2100	Travel and transportation of persons	1,184	17,000	25,000
2200	Transportation of things		2,000	
3100	Equipment		5,000	
	Total	57,253	194,000	[1] 229,000

[1] Expenses for the Office of the Administrator are included in the Salaries and Expenses account for fiscal year 1991. A separate appropriation was not requested for the Office of the Administrator.

Mr. **Whitten**. Please provide for the record a listing of the personnel currently assigned to the immediate Office of the Administrator, indicating their position or title and grade level.

Mr. **Byrne**. A listing of currently assigned personnel by position and grade level will be supplied for the record.

[The information follows:]

OFFICE OF THE ADMINISTRATOR—STAFFING

Name	Descriptive title of position	Grade level
Gary Byrne	Administrator	EX-V
Jack Van Mark	Deputy Administrator	SES-104
Vacant	Confidential Assistant to Administrator	GS-13
Vacant	Secretary	GS-10

Mr. **Whitten**. Are any other funds or personnel of the Department used by this office?

Mr. **Byrne**. No, only funds appropriated to the Office of the Administrator are being used to support the office.

FFB AGREEMENT

Mr. **Whitten**. I am aware that your agency is continuing to attempt to negotiate a FFB repayment agreement with the Department of Treasury and the Comptroller of the Currency. Would you like to comment on these negotiations? Do you believe an agreement can be reached or will Congressional action be necessary to respond to this situation?

Mr. **Byrne**. The REA-FFB agreement was signed on March 20, 1990.

DIRECTION OF PROGRAM

Mr. **Whitten**. Mrs. Smith?

Mrs. **Smith**. Thank you, Mr. Chairman.

Welcome back, Mr. Vautour.

Mr. Byrne, we're very happy to have you here on your very first day. Administrator Byrne, last year when this agency appeared before the committee, a similar proposal to move to guaranteed lending was proposed.

Now, would you or someone at the table comment on the current proposal of the President? Many of my REA borrowers feel that there would not be an adequate pool for borrowers who are really in need of low interest loans.

Mr. VAUTOUR. Mrs. Smith, the proposals that we've had in the past, as you know, have virtually proposed zeroing out the Rural Electrification Administration.

This year, we have taken the position that there are a number of borrowers who clearly cannot afford to pay market rates.

However, there are a great number of borrowers who clearly can afford to pay market rates. We are proposing a total lending program of $1.6 billion as opposed to $1.1 billion that was loaned in 1989.

So, what we're saying is that we think there may be about 80 electric distribution borrowers out of 1,000 who cannot afford to pay market rates.

Based on the borrowers' financial needs, we think $200 million in direct lending will be adequate. The balance of the borrowers have gained sufficiently in their equity, in their general funds, capacity to borrow and ability to repay. They can, in fact, with a Government guarantee, obtain a slightly lower rate than they would in the regular market, but are certainly capable of handling private-sector financing.

BORROWER FINANCIAL HEALTH

Mrs. SMITH. I asked you last year how many you felt could not pay the current rates, and you said 80.

Mr. VAUTOUR. Eighty.

Mrs. SMITH. Well, I'm glad to have that information. Now, am I correct in saying that the financial health of REA, and in particular the cooperatives, has improved in the last eight years?

Mr. VAUTOUR. I would like to have Mr. Van Mark answer the question. He's been here for eight years, and is qualified to answer that.

Mrs. SMITH. He's my neighbor, and I continue to claim him out in Nebraska.

Mr. VAN MARK. That's true. Chapel, Nebraska, isn't too far from Torrington, Wyoming.

Mrs. SMITH. That's right.

Mr. VAN MARK. Yes, our borrowers have improved their financial health. Electric distribution borrowers have experienced an increase from 31 percent equity in the last ten years to 38 percent equity. This indicates that they have done rather well, and that's the average.

Mrs. SMITH. Is it your feeling that adequate capital is more important than unusually low interest rates?

Mr. VAN MARK. Let me enlarge a little bit on what the Under Secretary said in discussing the capability of the borrowers to pay a market rate.

If you paid market rate, there's plenty of capital available through the CFC, the borrowers' own lending institution, or the Banks for Cooperatives. They stand ready and anxious to meet their financial needs.

INSURED PREPAYMENTS

Mrs. **Smith**. As you folks are all aware, some electric co-ops are very interested in the pre-payment of FFB and other REA loans.

Some special situations arise where they would like to merge and so on, and yet they don't want to have to fall back under REA regulations.

You know, I have a bill, H.R. 2735, where I'm trying to address this problem. Would you comment on the prepayment program that expired a few years ago?

Was it successful? How would your agency view a prepayment option in the future?

Mr. **Van Mark**. We collected about $730 million worth of debt under the 1987 prepayment arrangement where the borrowers paid at a discount.

The way we arrived at the discount was to take the present value of the loans that were outstanding. We had two and five percent loans paid off early, and the Government had the money available.

The prepayments yielded about $430 million to the Revolving Fund. Now, as I understand it, there are about three or four borrowers that would like to merge with a neighbor. But, they say, if we merge with a neighbor, then we're back under the umbrella of REA regulations, and we don't want to do that.

Mrs. **Smith**. One of those is in my district.

Mr. **Van Mark**. So, they would like to have some kind of provision that would exempt them. However, we can't make the provision. It takes legislation to allow them to pay off their neighbor's debt at a discount.

If you are asking what our position would be on legislation of that type, I don't believe there would be any problem with it.

Mrs. **Smith**. I see.

REA GENERATING CAPABILITY

I understand that investor owned utilities increasingly are looking at Independent Power Producers as a source of much of their future power needs rather than constructing their own generating facilities. Is REA encouraging REA generating systems to do the same?

Mr. **Byrne**. REA is requiring borrowers to evaluate the independent power production option, along with other options, before it will accept a request for financing assistance for additional generating facilities. In a letter to all REA-financed power supply borrowers dated September 18, 1989, REA stated that borrowers requesting REA loans or loan guarantees for new generating capacity must consider the possibility of independent power producers, as well as the traditional source of power historically considered, in meeting some or all of the borrowers' growing capacity needs.

TELEPHONE DEREGULATION

Mrs. **Smith**. A few years ago, rural telephone companies were greatly concerned about how the impact of deregulation and the breakup of the AT&T system would have on their toll revenues.

What has happened to the level of toll revenues of rural telephone systems in the past few years.

Mr. **Byrne**. Total net toll revenues for REA financed telephone companies rose steadily from $1,716,767,000 in 1983 to $2,324,182,000 in 1988, or a 35% increase in 6 years.

COOPERATIVE BUYOUTS

Mrs. **Smith**. There is a feeling that REA has no objection to, and is actually encouraging buyouts of cooperatives by IOU's. How would you respond on this matter?

Mr. **Byrne**. REA is not encouraging buyouts of cooperatives. REA has taken a strong position in opposition to buyouts which were not in REA's best interest. For example, the Government recently became involved in litigation arising from efforts of Pacific Power and Light Company to acquire two Wyoming distribution systems and to discontinue the purchase of power under the all-requirements wholesale power contracts. However, if cooperative members desire to sell their facilities, we would be obligated to consider each proposal on a case-by-case basis.

Mrs. **Smith**. Thank you very much, Mr. Chairman.

OPERATING CAPITAL COSTS

Mr. **Whitten**. Mr. Durbin?

Mr. **Durbin**. Thank you, Mr. Chairman.

Thank you for joining us today. Some of the proposals in the President's budget have raised questions from my local electrical cooperatives which I'd like to address in this portion of the hearing.

There's a question that has been raised by them concerning the proposals for financing under the President's budget proposal. We've discussed this away from the committee, as well.

The people at the electric cooperatives in my area feel that these proposals would dramatically increase the cost of operating capital for electric cooperatives.

Would you like to address that concern?

Mr. **Vautour**. Well, I think they're probably accurate to the extent that they're now getting five percent money, and if we guarantee a loan from the private sector, obviously it's going to be at a rate that is higher than five percent.

We did not arbitrarily or capriciously make that decision. We had REA do a computer analysis on this. The listing shows that approximately 80 of those borrowers clearly could not, without an unbearable or undue hardship on their users, go to private-sector financing. But the balance of them certainly could.

Then, they would, in fact, be paying more interest. There's no question.

FINANCIAL HARDSHIP

Mr. **Durbin**. How do you define undue hardship so that you'd come up with 80 co-ops that would be in a problem area?

Mr. **Van Mark**. Congressman Durbin, let me address that. We tried to be very methodical in our approach. We looked at your last loan and assumed it was at today's market interest rate to see what it would do to your TIER. This took into consideration your entire imbedded debt, and if your TIER fell below 1.5, which our mortgage requires everyone to maintain, you couldn't afford to pay that interest rate.

When we added it up—and we did a three-year average because there are so many changes if you only consider one year—it came to $600 million for 3 years. That's how we arrived at the $200 million per year.

We think that is a very conservative estimate, because many of the borrowers could very well afford an interest rate increase and would not necessarily need to use the safety net.

Mr. DURBIN. I don't know if any of my co-ops fall in the category of those suffering undue hardship, but I represent an area which may not be typical of all the members on this subcommittee.

It's an area that has a number of different utilities, from municipal-owned utilities to investor-owned utilities, and I can tell you that the people in the Rural Electric co-ops are paying higher rates than virtually anyone else, with, perhaps one exception.

That is unfortunately due to a poor decision involving a nuclear reactor. That goes back a few years.

Mr. VAN MARK. That's true nationwide. About 75 percent of our borrowers, maybe 78 percent of our borrowers, are paying higher rates.

UTILITY SUBSIDIES

Mr. DURBIN. Let me read some figures into the record, and I'd like to hear your comments if you think these are accurate.

The folks from the co-op think they are, so I'd like to share them with you. This compares what they consider to be the Federal assistance received by each type of power generating utility.

Rural electric co-ops already receive the least Federal assistance, amounting to $554,945, or $50 per consumer per year.

Investor-owned electric utilities receive Federal assistance of $5,146,611, or $65 per consumer annually. Municipally-owned utilities receive $1,980,891 per year, or $93 per consumer.

If I can draw a conclusion from what they say, just on the basis of Federal assistance, if you happen to live in an area served by a municipally-owned utility, your Federal subsidy per customer comes out to $93.

If you live in an area served by an investor-owned electric utility, your Federal subsidy comes out to $65 per customer, annually.

But if you happen to live in a rural area, it's $50 per consumer per year. If I understand the budget proposal, it sounds like that's going down even further.

How do we justify that? How do we say that we are treating electrical consumers equitably?

Mr. VAN MARK. If I may, I wouldn't argue that the municipals have a greater subsidy. I would agree with you on that point.

But I don't know that I can necessarily agree that the investor-owneds do. I've seen those same numbers, Congressman.

When you're tax exempt by definition—that's where the cooperatives are saving some money through their tax-exempt status—and you get low interest money on top of that, it's pretty hard to be at that subsidy.

Mr. **DURBIN**. You're talking about municipals, are you not?

Mr. **VAN MARK**. I'm talking co-ops.

Mr. **DURBIN**. All right. In comparison to municipals?

Mr. **VAN MARK**. In comparison to the investor-owneds.

Mr. **DURBIN**. All right.

Mr. **VAN MARK**. No, the municipals have an advantage over borrowers. I recognize that.

Mr. **DURBIN**. Well, I happen to live in an area served by a municipal, and God bless them. I hope they keep their rates low.

I just wonder how we can continue to pursue a program that seems to penalize those rural co-ops. There was a time when, of course, were it not for the Federal Government, there wouldn't have been electricity in rural areas. Now, by definition, rural electric co-ops serve suburban areas and some that could even be classified as urban, I guess, by standard definition.

But the fact is that when we looked at the basic subsidy per consumer, electric co-ops are on the low end of the ladder, and under the President's budget proposal, it may go even lower.

I think what concerns some of us whether there is real equity for the utility consumers across the country.

Mr. **VAN MARK**. Could I come at it a different way? The REA borrowers do have a higher rate, mostly as a result of, as you stated, getting involved in generation projects at the wrong time. Interest rates went up and interest rates during construction ended up being a very large portion of the total cost of that plant.

Of course, those funds have to be repaid, and the only way to do it is through rate increases, and our borrowers did build more plants than the investor-owned.

So that is a disadvantage, but I'm not ready to accept the fact that the subsidy is greater.

Mr. **DURBIN**. Well, I'd like to see your figures in return. I'll share with you the information I have, and perhaps you could put in the record what you consider to be the accurate figures based on the information that you have.

[The information follows:]

FEDERAL ASSISTANCE TO ELECTRIC UTILITIES

Different studies have been prepared examining the level of Federal assistance which consumer-owned, investor-owned and municipal electric systems receive. The National Rural Electric Cooperative Association (NRECA) has completed a study which displays the average of Federal assistance per consumer per year. The American Public Power Association (AAPA) developed a study calculating Federal assistance on a per kilowatt hours (kWh) sales basis.

The following table compares Federal assistance for Rural Electric Cooperatives, Investor-Owned Electric Utilities and Municipal, or Publicly Owned Utilities:

	Federal assistance	
	Per consumer (dollars)	Per kWh (cents)
Rural electric cooperatives	50	0.33
Investor-owned utilities	65	.27
Municipal utilities	93	.36

NRECA considers the "per consumer" comparison as the most appropriate since the consumer is the intended beneficiary of the Federal assistance. AAPA prefers the comparison be made on a "per kWh" sales basis because the annual average consumption per consumer is much greater for public power systems than for rural electric cooperatives.

To date, no definitive studies have been made to which all parties can agree. However, the parties do agree that all electric utilities receive Federal assistance.

Mr. DURBIN. I thank you for coming today, and we'll be studying your proposal very carefully.

Thank you, Mr. Chairman.

Mr. WHITTEN. Mr. Skeen?

FINDING RURAL LENDERS

Mr. SKEEN. Thank you, Mr. Chairman.

Welcome once again, and, Mr. Byrne, congratulations on assuming a job that Calhoun didn't want but Byrne did. You'll do very well.

Let me ask you a question. This is not a new proposal. We've run this through the mill here before, and my question is now that you have an REA co-op that could be graduated into, say, the commercial lending, how in the world do you ever get them together?

Supposing that that co-op is deemed to be capable of handling itself in the commercial world, and suppose the commercial lenders of choice don't take them on, what do you do then? How do you get these folks together?

Mr. VAUTOUR. We're confident that the private sector out there is capable of handling it and anxious to handle it. Such lending organizations as the Cooperative Finance Corporation and the Co Bank, which is the National Bank for Cooperatives, plus the private sector and investment bankers, lead us to believe that adequate credit is out there.

Mr. SKEEN. Do you think the guaranteed loan provision is enough to pull the lenders into the system? I'm a little concerned about it, because we've got some guaranteed loan provisions in other programs that haven't worked all that well, because private lenders, in some cases, just reject them.

Mr. VAUTOUR. That's true, and probably the one that's most glaring is the Farmer Program Guarantee Program.

Mr. SKEEN. Absolutely.

Mr. VAUTOUR. It took us, however, a number of years, but it's now caught on to the point that we now make more guaranteed loans than we do direct, and that trend is accelerating.

I tend to think that the credit is out there, and you'll be making a loan of such magnitude that the bank would be interested in doing it.

It's not a matter of making a $30,000 loan to the same individual year after year and then repeating it. You make a large loan once with a guarantee, and it's in place.

Mr. SKEEN. Well, there are a lot of agricultural operations that had plenty to ask for as far as the amount was concerned, but they were still rejected.

I used to think that if you asked for a bigger loan, you're better off than you are with the small one, and I'm sure the utilities are in that position.

Also, the question in my mind, too, is the same statement that Mr. Durbin had, that 70 percent of the rural cooperatives have higher utility rates than their neighbors. He attributed some of it to a nuclear generator source, but that's not the common denominator in this, by any means.

Is this not true, and has that figure changed any in the last year?

Mr. **Vautour**. Of course, Congressman, back in 1935, when REA was formed, it was formed because the density of users out in the countryside was not sufficient to make it economically feasible for the private sector to provide electricity.

REA performed, in my judgment, a very crucial job and a job, I think, extremely well done. However, we think the job is done. There are areas that still need help, particularly in New Mexico, where I know you have some cooperatives out there that have only one or two users per mile.

Mr. **Skeen**. We're the classic examples of the density provision.

Mr. **Vautour**. That's right. Those borrowers clearly——

Mr. **Skeen**. We like it that way.

Mr. **Vautour**. That comes with a price.

Mr. **Skeen**. Oh, it costs a little more, but it's worth it.

Mr. **Vautour**. The type of cooperatives in your area clearly fall in that 80 number that I quoted.

Mr. **Skeen**. Yes.

Mr. **Vautour**. But there are a number of them out there, a substantial number, that clearly can afford to pay market rates with a guarantee. We believe the guarantee is going to permit an advantage in negotiating the interest rate with the banks.

UTILITY RATES

Mr. **Skeen**. Well, with this predominant percentage that are now charging higher rates and having to operate at higher rates, and you put them on a guaranteed loan and so forth, where does that put them in the competitive cycle with the private utility?

What I'm concerned about is are you throwing them into situations in which they cannot compete? I'm all for competition, I think it's great, because things have changed, and I think you're trying to address that change.

But what I am concerned about is where does it put them in the competitive pictures insofar as when you ask them to go to commercial lending institutions?

Mr. **Van Mark**. I think, Congressman, that we'd have to admit even one penny more will put you at a disadvantage when compared to where you were before, but here's the——

Mr. **Skeen**. Even a quarter of a penny.

Mr. **Van Mark**. We don't divide them that small in Wyoming.

Mr. **Skeen**. Boy, they do in our part of the country.

Mr. **Van Mark**. The point I wanted to make was that the proposal that we're offering will actually increase the average residential bill three cents a day.

Mr. **Skeen**. Three cents a day. A dollar a month.

Mr. **Van Mark**. Less than a dollar.

Mr. **Skeen**. Well, with interest, a dollar a month. Let's just round it up.

Mr. **Van Mark**. We cut it thinner than that.

Mr. **Skeen**. Okay. So you don't have any trepidation about the competitiveness and their ability to compete with the private sector?

Mr. **Van Mark**. I think that's correct, yes.

Mr. **Skeen**. Okay. I thank you for your responses.

Thank you, Mr. Chairman.

GUARANTEED LOANS

Mr. **Whitten**. All this sounds good, except we're not bankers on this side of the table nor are you on your side. It's easy to talk about what they do, but they don't do it.

Now, I'm not an expert when it comes to banking, but I handled the FDIC for a long time. The FDIC has a limit on what banks can do, and in rural areas banks are just about at the limit.

First off, while I've got some stock in a bank, it's just a holding company, and lately we've had a hard time keeping banks in existence.

I don't know how you can come here and tell us that these banks are going to grant guaranteed loans when you can't even get your bill introduced.

Why are you talking about what we could do when you can't even get the bill introduced? We can't do anything without a change in the law, and you'd have to have a change in the Congress as well as a change in this subcommittee to get any legislation passed.

So we're talking about something here that's just kind of looking at pie in the sky, it looks like to me. May I say again, I'm a strong believer in a balanced budget, and we need to do everything we can to save our financial system in order to have stability.

We need that, but I don't like the idea of cutting out or reducing programs in the United States so we can constantly increase funding for foreign aid. Sometimes it looks like we're going to have to give our farmers a foreign address.

Now, when I say that we should take care of our financial system, we should for stability, but taking care of your country is 10 times more important, because that's your real wealth.

Paper money is only a representation of wealth. It represents the country behind it. You come before this subcommittee every year wanting to crack down on rural areas of this country, so more U.S. dollars can be put in foreign countries. It doesn't make sense to me. This is about the 10th year we've been requested to do this, and you haven't even been able to get a bill introduced.

Mr. Akaka?

LOAN GUARANTEE FEE

Mr. **Akaka**. Thank you very much, Mr. Chairman.

Your statement tells me that you are moving in a new direction and presenting a legislative proposal for these changes, and in it you start with the loan origination fee on all guarantee commitments.

I'd like for you to explain to me about this origination fee, including the rate. Also, I understand that you are moving into the private sector and trying to move some of these loan commitments, and I also want to know whether the reason is that the borrowers are able to meet the requirements of the private sector.

Mr. **Vautour**. Congressman, the one percent origination fee, as you call it, we prefer to call it a guarantee fee, we charge the borrower.

In other words, we charge him one percent for the privilege of receiving a Federal guarantee on that particular loan, and that's pretty much true throughout the Government.

Most of the agencies that are in the lending mode in the Federal Government do charge that one percent origination fee. We think that it's reasonable, and it's one that the private sector is accustomed to and certainly should not send any shockwaves.

Mr. **Akaka**. These borrowers, I understand also that the intent is to try to shift them into the private sector. Is it because they can meet the requirements of the private sector?

Mr. **Vautour**. Yes.

Mr. **Akaka**. So you're still maintaining those that are not able to meet their requirements?

Mr. **Vautour**. Well, I think that's an absolute must. We certainly couldn't throw them to the wolves. We feel confident that those folks that can meet those requirements can obtain private-sector financing. As Mr. Van Mark stated, the increase will average less than a dollar a month, and it does, in fact, effect a substantial savings to the taxpayer. We think it's a responsible way to go.

Mr. **Akaka**. Thank you very much, Mr. Vautour.

Mr. Chairman, thank you.

Mr. **Whitten**. Mr. Watkins?

RURAL DEVELOPMENT BY CO-OPS

Mr. **Watkins**. Thank you very much. Let me say congratulations to you in your new position.

Mr. **Byrne**. Thank you.

Mr. **Watkins**. I would like to express that I think some of the economically depressed areas of this Nation have been greatly deprived of investment.

Some of us worked a few years ago to get our co-ops to a position to utilize a portion of their assets for rural development. It seems there's a tremendous reluctance by many of the Boards to participate and to become active in that area.

I don't know exactly the answer why. I met with most of the local co-op boards in my area and discussed this matter, because I've been trying to tell the story about the need for investment capital.

What has been done across the Nation to get our local co-ops to become more involved? What kind of leadership has come from your office?

Mr. **Vautour**. Congressman, I share your desire for their participation. If all the cooperatives throughout the country utilized all of their 15 percent that they're permitted to use without our approval, that would amount to some $7 billion in available capital for rural America.

As you know, we've been hemorrhaging about 400,000 people a year in rural America. We would welcome the cooperatives' participation. However, I think that has to be a decision that can only be reached by the local Boards themselves.

It certainly ought not be dictated from Washington. We can nudge, we can encourage, we can prod, if you will, but we cannot dictate to them that they make loans or do whatever they want to do with that 15 percent.

I think it would be foolhardy for us to do so. The Secretary has on numerous occasions quoted that figure and urged them to use the funds.

I never miss a trick when I'm speaking on the subject. I know that the former Acting Administrator, Mr. Van Mark, has, and I can assure you Mr. Byrne will continue to do so. Look, folks, there is this pool of money out there, albeit your money, but you have the right to use it without big brother looking over your shoulder.

We encourage them to do that, because, in our judgment, they have a vested interest in it. That's good. That's the American way, for them to prosper and improve sales and earn more money for their cooperatives.

We sent out a letter, I believe two letters, from REA to all borrowers on two occasions urging them to utilize that 15 percent.

One was sent out prior to publishing of the regulations, and the second one was sent out afterwards.

RELUCTANCE TO INVEST

Mr. Watkins. I try to put myself in their shoes, and I think they're very conservative. I was a businessman before coming to Congress, and was conservative on making investments as well.

I think they're reluctant to make direct loans, fearful maybe of having some losses and how that might affect rates, et cetera.

I've thought in terms of maybe they could look at working guarantees with investors with some of that. That might give them a little bit of a feel that they've got some back up.

Mr. Vautour. I think those folks would be the best qualified to judge whether that particular venture would work in their area.

If they are reluctant to do it and they're fearful of a loss, we don't think it would be prudent for us to be guaranteeing that kind of loan.

We think that they ought to be as convinced as they can be that the loan they're going to make is a sound one and is recoverable, because it's their money. We think that's probably the best way to go.

Mr. Watkins. I've been trying to wrestle with it to see what we can do, because there's such a need for investment capital out in rural economically depressed areas all across Oklahoma, not just in the 3rd Congressional District. There is a continued out migration of loved ones from the rural areas of western Oklahoma, as well as in my area.

The only way we're going to be able to stop that hemorrhaging will be to build off-farm jobs, but we're not going to be able to do it again with strictly agriculture production jobs.

As I said in a speech Monday to the OSU centennial agriculture celebration, 100 years ago the majority of our people were in the production of agriculture commodities.

Back a few years ago, I had the opportunity to serve as the State President of the Oklahoma Future Farmers of America, and I made speeches all over the State of Oklahoma, and I can still hear the echoing of the words—there's only 16 percent of us in the production of agriculture.

Today, when any of us make these speeches out across our districts, we say there's less than two percent. There's been a dramatic, dramatic change in the landscape of rural America, yet we did not see fit to make the investment in trying to stop that hemorrhaging. As a result, I think maybe our Chairman has said from time to time, the roots of the problems in the urban centers extend from the fact that we didn't stop the problem in the rural areas years ago.

I think if we had done that, we would have less socioeconomic problems today than what we have. That's hindsight, but we need to be doing something today to build those jobs in rural areas.

It's up to us to make sure the co-op Boards use the tools given to them to help save many of the rural areas of this country.

Mr. Vautour. Mr. Congressman, I would say that the heart and soul of any rural development effort is due almost entirely to local leadership, which you have provided in some great measure in your State.

I have garnered this from private conversations with you. We feel that the local leadership is absolutely essential. We do owe them, I think, the responsibility of furnishing them with the tools, but in the final analysis, it's folks like you and other people who have devoted a good part of their lives to rural development. We're going to have to depend on those folks to continue.

Mr. Watkins. I might share with my colleagues, we've put together approximately 20 industries or so in my area, and I think without exception every single one required some financial packaging assistance to help them get located in the area.

I live in an area of southern Oklahoma where it's difficult to get Dallas, Texas, to come across Red River to make any loans, and it's hard to get even loan companies out of Oklahoma City and Tulsa which is about 200 miles away to do this investment. We're in desperate need of what I call the life blood of helping industry, and that's the necessary financing.

Mr. Whitten. Mr. Myers?

RURAL DEVELOPMENT

Mr. Myers. Congress has authorized and funded the REA's interest-free rural development loan program because of the concern over the declining situation in rural America. If a project meets the parameter of this program, what would preclude you from approving the loan application?

Mr. BYRNE. Among the various parameters REA uses in determining whether to make a loan under the rural economic development loan and grant program is the management and financial situation of the REA borrower applying for the loan. The Administrator must determine whether a zero-interest loan to the REA borrower under this program, as well as other REA programs, would be repaid within the time agreed.

Mr. MYERS. Is the interest-free loan program separate from REA's other programs or is the approval of a loan under this program contingent upon the status of other loans held by an REMC?

Mr. BYRNE. The approval for a zero-interest loan under REA's rural economic development loan and grant program is based on the Administrator's determination as to whether the loan would be repaid within the time agreed. The Administrator must make the same determination under REA's electric and telephone loan programs. If the Administrator has made a determination that a borrower's actions have demonstrated an unwillingness to exercise diligence in repaying REA loans in one loan program, then the same determination would hold true in other programs. A borrower's REA loans must be current, that is, non-delinquent, in order to qualify for an economic development loan.

Mr. MYERS. Under your policies, can you justify approving a rural development loan, announce it to the media and the applicant, and then issue a subsequent denial letter?

Mr. BYRNE. If the Administrator is unable to make a determination that the zero-interest loan would be repaid within the time agreed, REA would not send the borrower the loan documents under which the loan funds could be advanced.

WABASH VALLEY MEMBER COOPERATIVES

Mr. MYERS. Due to a large debt owed to the REA by the Wabash Valley Power Association in my district, officials indicated over a year ago that no further loans would be made to the member cooperatives until this was resolved. Subsequent to this, Parke County REMC received a formal approval on a preapplication and then was later denied. Does the REA intend to deny all applications coming from the Wabash Valley Power Association members even though this could be severely detrimental to some of the cooperatives who depend on these loans for current operation and future growth?

Mr. BYRNE. On March 13, 1989, Parke County was notified, along with other REA borrowers that are members of the Wabash Valley Power Association, that no additional financial assistance would now be provided pursuant to the Rural Electrification Act. REA would return any loan application it received from Parke County. This decision was based on the Administrator's judgment that Parke County, along with the other Wabash members, has demonstrated an unwillingness to exercise diligence in repaying REA loans. The REA Administrator is unable at this time to find, as required by the RE Act, that an additional loan to Parke County would be repaid within the time agreed. Until such time that it is evident that the Indiana Public Service Commission will allow REA borrowers to charge rates that ensure their REA loans can be repaid, it will be difficult to provide additional funding to Wabash member systems.

RURAL DEVELOPMENT INITIATIVES

Mr. **Whitten**. Mr. Weber?

Mr. **Weber**. Thank you, Mr. Chairman.

Mr. Vautour, good to see you again.

Mr. Byrne, welcome and congratulations to you.

I'd like to just add one thing to the line of questioning that Mr. Watkins developed, because he and I have both been very interested in REA's involvement in rural development initiatives, and I know that's your real area of attention.

In the last appropriations bill, we inserted language that directed your office to provide some technical assistance to local co-ops on how they can go about getting involved in economic development initiatives in their own communities.

Have you followed through on that?

Mr. **Vautour**. Well, we certainly have made a start. It would be incorrect for me to say we've done it completely, but we have made a start.

There are five or six different things that we are doing in order to get that off the ground. One of them is the Rural Information Center which we now have in the agricultural library in Beltsville. REA will be furnishing two people out there.

Any rural electric cooperative, community or citizen that needs information on rural development, on a program, whether it be solid waste disposal, deteriorating roads or bridges, can call this number. They will get current information on communities in the country that had that problem, how they solved it, what they used to solve it with, how much it cost them, and how they got the resources. got the resources.

We think that can be a valuable help to many of the cooperatives as well as to local communities.

Mr. **Weber**. When will that be functioning?

Mr. **Vautour**. That's functioning now. We will establish very shortly a Rural Economic Development Coordinator position within REA. This will be the focal point to funnel questions and guide the implementation of the kind of program you're referring to.

Mr. **Weber**. If I can just interrupt, that's encouraging. Where are you in the process? Are you interviewing people for this position?

Mr. **Vautour**. I think the advertisement for the position closed. No, it closes March 30th, I've been informed. So at that point then the interview process will start, and the selection will be made shortly after.

Mr. **Weber**. What kind of a staff will that person have to assist them?

Mr. **Vautour**. We envision that the Coordinator will be working directly with the Assistant Administrator for Management and have that staff at his disposal. He will not have a personal staff.

Mr. **Weber**. Okay.

Mr. **Vautour**. Also, last August we sponsored a rural development conference in conjunction with National Rural Electric Cooperatives.

We intend to sponsor another conference this coming year, and we hope that that will be an ongoing function. We will develop and accumulate material on rural economic development for dissemination to our borrowers. The President's initiative on rural development that was recently announced by the Economic Policy Council contains a proposal for some rural development demonstration projects.

At the present time, we're exploring the possibility of using established commercial people to work with the cooperatives. They can furnish information that would be useful to them and perhaps we can establish that as a demonstration project.

Mr. WEBER. What kind of established commercial people?

Mr. VAUTOUR. Well, for instance, I shouldn't be giving anybody a free ride, but businesses such as Fanta's Factory Locating Service, that are consultants in rural development.

REA would award a contract to work out a demonstration project to stimulate the electric cooperatives to become more active.

We also, of course, use the Rural Economic Development Loan and Grant Program to its maximum! We provide zero-interest loans, hoping that the cooperatives make use of the funds. By repayment of the loans, we will be able to generate a revolving fund that can be used in perpetuity.

Mr. WEBER. Okay. Staff has just pointed out to me that we have $500,000 attached for this purpose, and yet no staff is going to be connected with this office. Is this true?

Mr. VAUTOUR. The two staffers we're going to use at Beltsville will have to be paid from these funds. Either that, or it will be at the expense of the loan making program, which I don't think we want to do.

Mr. WEBER. Okay.

RURAL DEVELOPMENT CONFERENCE

Mr. VAN MARK. Congressman, could I add one thing?

Mr. WEBER. Yes, sir.

Mr. VAN MARK. We're also planning a rural development conference that we think is part of this technical assistance in which we're going to inform borrowers.

Mr. WEBER. Where will that be held?

Mr. VAN MARK. It will be in July in Denver.

Mr. WEBER. Denver? A western State.

Mr. VAN MARK. Did you suggest Minnesota?

Mr. WEBER. Well, no, I would suggest Nebraska, of course.

PROGRAM OUTLAYS

I see we're called for a vote, so I'll finish up rather quickly, but I'm concerned, as my other colleagues are, about the Administration proposal to shift REA from a direct to a guaranteed program.

When I talk to my constituents in Minnesota, the average subscriber at REA, one of the things that make them mad is the way we score all the revolving funds. For example, the amount that is lent out is a cash outlay for budgetary purposes but, because of the way that the outlay is scored we don't have any notion of what is coming back into this program. What is really a gross outlay is portrayed as a net outlay.

Have you ever looked at this scoring problem and tried to figure out what the net cash expenditures of the REA Revolving Loan Program?

Mr. VAUTOUR. Under the current program or under the proposed program?

Mr. WEBER. Under the current program.

Mr. VAN MARK. I'm not real sure that I can answer that, but if we wanted to look at the net of the Revolving Fund, using that as an example, I can say that our interest expense to date is less than our interest income; therefore, we do show a positive margin in the Revolving Fund.

Mr. WEBER. Could you put those numbers into the record for me?

Mr. VAN MARK. No problem. You bet.

[The information follows:]

RECEIPTS AND DISBURSEMENTS OF THE RETRF

The financial operations of the RETRF are affected by receipts and disbursements. There are three sources of receipts--loan repayments of principal and interest by REA borrowers, direct appropriations by Congress, and sales of Certificates of Beneficial Ownership (CBO). Disbursements consist of advances to REA borrowers on loans, payments to FFB or other lenders for delinquent REA guaranteed loans, and interest payments to the Treasury on CBO's. Disbursements from the RETRF during the 10-year period FY 1980-1989 exceeded borrowers' repayments by $4.2 billion. Information on receipts and disbursements follows:

Rural Electrification and Telephone Revolving Fund
Net Result of Lending Operations
Fiscal Years 1980-1989
(in millions of dollars)

RECEIPTS

Fiscal Year	Repayments from REA Borrowers	Appropriations by Congress	Net CBO Sales to Treasury	Total
1980	686.0	0.0	689.1	1,375.1
1981	745.7	0.0	683.0	1,428.7
1982	815.2	0.0	528.4	1,343.6
1983	866.7	0.0	343.8	1,210.5
1984	905.1	197.9	69.2	1,172.2
1985	950.7	216.0	187.6	1,354.3
1986	967.0	99.4	516.9	1,583.3
1987	1,437.1	20.0	0.0	1,457.1
1988	1,082.8	327.7	(102.0)	1,308.5
1989	1,088.4	341.0	43.5	1,472.9
TOTAL	9,544.7	1,202.0	2,959.5	13,706.2

DISBURSEMENTS

	Advances to Borrowers	Payments on Guaranteed Loans	Interest Expense to Treasury	Total
1980	1,206.8	0.0	144.1	1,350.9
1981	1,203.8	0.0	228.4	1,432.2
1982	1,048.0	0.0	316.5	1,364.5
1983	855.6	0.0	368.0	1,223.6
1984	780.0	0.0	395.5	1,175.5
1985	797.1	164.0	408.9	1,370.0
1986	960.9	163.6	437.9	1,562.4
1987	752.1	240.8	464.7	1,457.6
1988	757.3	119.3	438.2	1,314.8
1989	880.2	170.7	434.7	1,485.6
TOTAL	9,241.8	858.4	3,636.9	13,737.1

LOAN BACKLOG

Mr. **Weber**. Thank you very much. One final question. There is some controversy over the amount of money you're requesting for the insured loan program. What kind of a backlog do you have right now in this program?

Mr. **Van Mark**. On the telephone side, we'll finish the year with, and I would like to not have you make me sign in blood, but I think we're going to finish the year with a $14 million or somewhere in that neighborhood backlog on telephone.

On the electric side, however, it's going to be in the neighborhood of probably $500 million.

Mr. **Weber**. What is the current floor on that program?

Mr. **Van Mark**. It's $622 million for electric and $239 million for telphone loans from the Revolving Fund and $177 million for RTB.

Mr. **Weber**. Has that floor effectively become the ceiling? It sounds unlikely to me that you can handle the backlog.

Mr. **Van Mark**. Well, as Mr. Vautour mentioned earlier, the total budget including the guarantee is larger than what was actually used in fiscal year 1989.

Mr. **Weber**. I understand that, but that doesn't answer my question about how to handle the backlog in this program.

Mr. **Van Mark**. It will make it easier for us to do, let me put it that way.

Mr. **Weber**. I question that. It may make it easier, but you still won't handle that entire backlog

Mr. **Van Mark**. We will not wipe out the backlog in one year, no.

Mr. **Weber**. How much money would it take to handle the backlog?

Mr. **Van Mark**. If we have a backlog of $500 million, it would take another $500 million.

Mr. **Weber**. On top of the $622 million?

Mr. **Van Mark**. Yes.

Mr. **Weber**. Is that backlog prioritized in any way?

Mr. **Van Mark**. We're trying to address that, because logic tells us that's the way it should happen. Historically and up until now, it's been first in, first out. They are not prioritized.

Mr. **Weber**. I don't have any more questions right now. Thank you, Mr. Chairman.

RURAL ECONOMY

Mr. **Whitten**. Thank you very much. Listening to all this, I think it would be far easier just to restore prosperity in the rural areas through a prosperous agriculture.

We've still got the law where for 48 years the farmer got his income from the buyer, and it would cost very little to return to that program. It's still on the statute books.

We need to regain our domestic markets. We've given them away by letting imports pour in here from everywhere, and its not just in agriculture, but all commodities.

At this time, the record shows that 115 countries in the world need our production of food and clothing, but we pay our people not to produce so these countries pay through the nose somewhere else.

May I say that we've got a bill pending now to reinstate revenue sharing for when all these folks come back from the military.

I just listened to my friend, Mr. Watkins, about off-farm jobs. Chances are they'll give veterans preference once they get back here, so I think we're going to have to give some thought to revenue sharing or something else to accept and fit into the domestic economy these folks that are now in the service or working on military contracts. We couldn't do better than to look around and see what we need here in our own country.

I want to compliment you, Mr. Vautour, on the statement that you have in your budget, and I'll read it.

"A 1986 EPA needs survey of cost estimates for construction of public owned waste water treatment facilities indicated that rural areas with a population of below 10,000 need approximately $17 billion for these systems to be brought into compliance with the Clean Water Act of 1977."

"This survey also estimated the entire Nation's need was $59 billion, which means that the cost of upgrading sewer systems serving rural communities amounts to 29 percent of the Nation's total."

Going down further, you have this to say. "The second priority is health care facilities. Based on results of the National Rural Community Facilities assessment study, two percent of rural communities have no fire protection at all, over 40 percent of the rural communities with fire protection need additional water supplies, additional hydrants or tanker capacity."

"According to the USDA Office of Transportation, there are 2.6 million miles of rural roads, of which one-third are classified as barely adequate or worse."

"There are 470,000 bridges over 20 feet long, of which half are structurally or functionally deficient, and one-third are classified as intolerable or worse. These are two examples of some 80 different types of facilities financed by the Community Facility Loan." We've got plenty of need here at home, and if we do call folks out of the service and they're back here looking for jobs, we've certainly got plenty for them to do.

May I say again, in 1983 we had a recession. They finally came to our committee to help, and we called each subcommittee in to give us a list of those things domestically that had been justified, supported but not funded.

Believe it or not, revenue sharing helped 39,000 rural tax districts, and that was true for 14 years. Our committee renewed it, but the leadership of both parties wouldn't let it come up on the floor of the House.

So we've got plenty of things to do here at home where we get value received, and as I say, sooner or later, we in the Congress need to change the rules where investment spending is classified differently from something that might last 24 hours or less.

I realize the problems you have. You have the Budget Office and you've got all these other things; we have problems on our side. But thank you for your appearance, and thank you for laying it out like it is. I appreciate it.

Mr. **Vautour**. Thank you, Mr. Chairman.

BIOGRAPHICAL SKETCH OF GARY C. BYRNE
REA ADMINISTRATOR

Gary C. Byrne was appointed Administrator of the Rural Electrification Administration on March 20, 1990. As Administrator, Mr. Byrne will oversee the loan programs of the Agency which currently finance approximately 2,000 rural electric and telephone utilities. He will also serve as Governor of the Rural Telephone Bank.

Mr. Byrne was Chairman of the Bank of Alex Brown in Sacramento, California, from 1985 to 1989 and President and Chief Executive Officer from 1987 to 1989. He also held identical positions with its investment subsidiary, the Alex Brown Financial Group. He chaired the Meridian National Bank, Meridian Bancorp, and Harden and Company Insurance Services, Inc., all financial institutions in California.

Mr. Byrne was an associate professor at San Diego State University from 1969 to 1973 and has written numerous works on socio-economic issues. He served on the boards of the University of Redlands and the California Bankers Association. In addition, he was a member of the board of the Western Mobilehome Association, Sutter Community Hospitals, the South Sacramento Rotary Club, and the Boy Scouts of America Golden Empire Council.

Mr. Byrne received his undergraduate degree from the University of Redlands in California and his doctorate from the University of North Carolina.

He and his wife, Norma, have two sons.

BIOGRAPHICAL SKETCH OF GEORGE E. PRATT
DEPUTY ADMINISTRATOR - PROGRAM OPERATIONS

George E. Pratt was appointed Deputy Administrator of the Rural Electrification Administration in November 1989. He is the second ranking REA official and oversees program operations, including a $61 billion loan portfolio. He also serves as Deputy Governor of the Rural Telephone Bank.

Mr. Pratt was board chairman of an electric distribution cooperative in southern Alabama for 7 years. He was also on the board of an Alabama generation and transmission power supplier.

Mr. Pratt served 20 years in the U. S. Marine Corps and was awarded the Distinguished Flying Cross and 57 air medals. He graduated from Loyola University in New Orleans in 1968 with a degree in business management.

Mr. Pratt was President of Prattco, Inc., a van conversion business operating in Alabama, Mississippi, and Louisiana. He also owned and operated a small farm in Foley, Alabama, raising cattle, hay, and pecans.

Mr. Pratt resides in Arlington, Virginia, and will be joined by his wife and daughter, Sarah, after her graduation from high school. Mr. Pratt's older son is a Second Lieutenant in the U.S. Marine Corps and graduated from Vanderbilt University. His younger son is a sophomore at Tulane University.

BIOGRAPHICAL SKETCH OF ROBERT PETERS
ACTING ASSISTANT ADMINISTRATOR - TELEPHONE

Robert Peters was appointed Acting Assistant Administrator - Telephone in August 1989. He is responsible for the administration of the REA telephone loan program. Mr. Peters began his career with REA in June 1967 with the Telephone Engineering and Operations Division. He later transferred to the Western Area - Telephone where he served as staff engineer; Chief, Engineering Branch; and Director. In 1984, Mr. Peters became Director, Southwest Area - Telephone. Prior to becoming Acting Assistant Administrator, he served as Deputy Assistant Administrator - Telephone.

Mr. Peters is also a commissioned officer in the U.S. Army Signal Corp where he has attained the rank of major. He is a graduate of the U.S. Army's Command and General Staff College.

Mr. Peters, a native of Lynchburg, Virginia, holds a Bachelor of Science degree in Electrical-Electronic Engineering from Howard University in Washington, D.C.

He resides in Dale City, Virginia, with is wife Carolyn and four children.

STATEMENT OF ROLAND VAUTOUR
UNDER SECRETARY FOR SMALL COMMUNITY
AND RURAL DEVELOPMENT
BEFORE THE SUBCOMMITTEE ON RURAL DEVELOPMENT,
AGRICULTURE AND RELATED AGENCIES

Good afternoon, Mr. Chairman and members of the Subcommittee. I welcome the opportunity to appear before you and present the highlights of the Rural Electrification Administration's 1991 Budget. The proposal provides a larger program level than was actually used in FY 1989 or requested in the FY 1990 Budget.

Since REA began almost 55 years ago, it has provided low-interest, direct loans to borrowers who furnish essential services. These services constitute a major contribution toward bringing rural America into the economic mainstream. REA has years of experience in rural telecommunications and electrification. This experience is valuable and this Administration recognizes these contributions and is committed to continue the programs.

We are happy to report the continuing financial health of REA borrowers. The financial stress experienced in some areas of rural America has not impacted most REA borrowers who have enjoyed a steady improvement in their equity levels. Many REA borrowers can and do secure private-sector loans without an REA guarantee through such lending institutions as CFC and National Bank for Cooperatives. This is evidence that many are capable of paying cost-of-money rates and is a key consideration in the budget request.

We recognize that some borrowers may be unable to pay market rates and the budget proposal has provided a level of direct lending for electric and telephone borrowers that will provide a safety net. Based on our review of distribution borrowers over the past 3 years, the funds provided in the safety net are sufficient to meet their needs. The revolving fund will also guarantee rural electric loans by commercial lenders. In addition, the Rural Telephone Bank will provide guarantees of privately-originated telephone loans.

The need to bring the Federal deficit under control has caused the Administration to evaluate all Federal loan programs. Today, many programs are being redirected from direct loans to Government guaranteed loan programs. Support in the form of Government guarantees encourages private financial institutions to become primary sources of credit. This stretches limited budgetary resources, allowing us to meet our mutual objectives of providing Federal credit assistance without excessive cost to borrowers or the taxpayers.

Many of the electric generation and transmission (G&T) borrowers are trying to recover from the over expansion of the 1970's and early 1980's. This is not only true of cooperatives but of investor-owned utilities as well. REA has worked extensively with defaulted borrowers to find ways to recover the funds owed. In several cases, workout agreements are in place and borrowers have rescheduled debt payments.

We are in the process of implementing reforms to the loan program to prevent future losses and avoid the possible insolvency of the revolving fund. We are seeking ways to return the G&T borrowers to their excellent repayment record that had been established prior to 1984. Our efforts to minimize losses on existing defaults and prevent future defaults have been redoubled.

The budget proposal that we are discussing today maintains assistance to financially needy borrowers and provides support to G&T's and other borrowers. The distribution borrowers are financially healthy and the shift to a guaranteed program will have little effect on G&T borrowers who are already in the guaranteed program. The proposal considers the well being of REA borrowers and the cost of providing subsidized funds which has an impact on the taxpayers. It is a responsible and totally defensible Budget.

At this point, I would like to introduce Mr. Gary Byrne, Administrator of REA.

RURAL ELECTRIFICATION ADMINISTRATION
STATEMENT OF GARY C. BYRNE, ADMINISTRATOR
BEFORE THE HOUSE SUBCOMMITTEE ON RURAL DEVELOPMENT, AGRICULTURE, AND RELATED AGENCIES

Mr. Chairman and members of the Subcommittee, I, too, appreciate this opportunity to appear before you to present the 1991 Budget and Program Proposal for the Rural Electrification Administration.

REA's accomplishments are many, and each year our borrowers' overall financial health steadily improves. The financial strength of the distribution and telephone borrowers is well documented in operating and financial information submitted to REA by the borrowers. As the Under Secretary noted, the rural electric distribution and telephone borrowers from REA are in a financial condition that compares very favorably with the private electric companies and commercial telephone companies that do not borrow from REA. For example, as of December 1988, electric distribution borrowers reported:

-- $856 million of net margins, a 172 percent increase over 10 years ago. The 1989 operating results have not yet been received from borrowers; however, we anticipate that the 1989 results will be comparable to 1988.

-- $8.5 billion in composite net worth, representing 38 percent of total assets. Ten years ago, net worth was equal to only 31 percent of borrowers' assets. We estimate that for the year ending in December 1989, borrowers' net worth will exceed $9 billion.

REA telephone borrowers also showed strong financial gains through December 1988:

-- Net margins were $691 million, a 10-year increase of approximately 300 percent.

-- Net worth was $3.8 billion, or 35 percent of total assets. This represents a 10-percent increase in borrowers' net worth to assets in the last decade.

Many of these borrowers continue to receive loans at 5 percent interest from the Rural Electric and Telephone Revolving Fund (RETRF) and the Rural Telephone Bank. Yet, they are capable of satisfying their credit needs from other sources; and many have obtained financial backing from other lending organizations.

The goals outlined in the President's proposal for REA are designed to:

-- Continue the basic role of REA in providing financial and technical assistance to borrowers.

-- Retain a direct loan program sufficient to the needs of electric borrowers who require Government assistance because of their financial condition. This will form a safety net for the borrowers.

- -- Reduce the budgetary impact of Government lending programs by moving REA's financially healthy borrowers from direct Federal loans to guaranteed loans from the private sector.

- -- Move all telephone lending into the Rural Telephone Bank. The Bank would make direct loans as well as guarantee private-sector loans. Currently, RTB direct loans are at 5 percent which is the same rate charged by RETRF.

These goals are common to many Federal lending programs. An effort is being made to insure access to the private sector by providing guarantees while reducing the Federal deficit by limiting direct lending. This movement to federally backed rather than direct funding is being proposed at a time when many REA borrowers are in a position to obtain private-sector funds.

FY 1991 BUDGET PROPOSAL

RETRF Direct Loans

Recognizing that some of our borrowers may be unable to obtain funds in the private market, the 1991 request includes $200 million for direct electric distribution loans at a 5 percent rate. These funds will be available for financial hardship cases.

RETRF Guarantee of Loans made by Private Lenders

The proposed budget supplements the direct lending program with partial guarantees of private-sector loans. Currently, distribution borrowers obtain up to 30 percent of their loan needs from the Banks for Cooperatives, the National Rural Utilities Cooperative Finance Corporation, and other private lenders. A guarantee by the REA will encourage the private sector to make funds available to borrowers. RETRF will partially guarantee principal and interest repayments of privately originated loans as follows:

-- $700 million will be available for power-supply loans with a 90-percent guarantee.

-- $400 million for electric distribution loans with a 70-percent guarantee.

Rural Telephone Bank (RTB)

Interest Rate Change

The Rural Telephone Bank is a $1.5 billion agency of the Government. It is a supplemental source of loan funds for telephone borrowers who are able to pay a higher interest rate than that charged by RETRF. Under current law, the Bank is making loans at a 5 percent interest rate which is the lowest permissable rate and the same as RETRF.

The Bank's formula-driven interest rate is even lower than the minimum established by law because of the 2-percent cost of capital provided by stock purchases of the Government. This creates a situation whereby borrowers are obtaining 5-percent loans from the Rural Telephone Bank and the RETRF. Telephone borrowers enjoy very sound financial health and are well able to pay higher interest rates. Therefore, legislation will be proposed to change RTB interest rates such that the net charge to borrowers equals yields on Treasury rates of comparable maturity.

Direct Loans and Private-Sector Guarantees

The proposed program for the Rural Telephone Bank is $125 million in direct loans and $200 million in partially guaranteed private-sector loans. An appropriation to purchase additional shares of Class A Stock is not being requested. The Bank has already been capitalized with $564 million and additional funds are not needed to ensure the health and stability of RTB.

Reimbursement to the Revolving Fund (RETRF)

The Fund currently enjoys a strong equity position; therefore, no appropriation is needed to subsidize its operations. This equity position has been sustained over the past 3 years by appropriations of $900 million that replaced funds disbursed for defaulting generation and transmission (G&T) borrowers. Looking at the REA program today, it is worth noting that lack of anticipated growth and high interest costs experienced during construction for some of the G&T borrowers has created financial difficulties that need to be overcome. We have been working with troubled borrowers to seek solutions to the problems that placed them in default. Many now have workout agreements and are currently making debt payments. We will continue with a strong effort to seek recovery of all funds owed to RETRF. Since the fund is currently sound, a reimbursement is not being requested.

Rural Economic Development

No appropriation is requested. Earnings generated by the interest differential on voluntary cushion of credit payments made by REA borrowers will provide funds for this program. The estimated earnings in fiscal years 1990 and 1991 are $985,000 and $1,050,000. In addition, rural electric distribution systems now have the option to invest up to 15 percent of total plant value in rural development projects without REA approval. This has the potential of generating approximately $7 billion in capital that can be available for investment in rural communities. REA supports rural economic development and encourages its borrowers to use their authority to implement rual development projects.

Salaries and Expenses

An appropriation of $33,055,000 is requested for 531 staff years, including Office of the Administrator. A total of $506,000 is included for the third phase of a 4-year plan for office automation. Design of the loan accounting system is proceeding and funds for the implementation are included. Improvements created by the new system will shorten processing time for advances to our borrowers.

Legislative Proposals

Achievement of this new direction for REA lending programs will require legislative changes. REA's legislative proposal will: (1) authorize partially guaranteed private-sector loans; (2) establish a loan origination fee on all guarantee commitments; (3) change RTB interest rates; and (4) place future G&T borrowers in the private sector instead of the Federal Financing Bank.

Summary

The 1991 Budget proposal reflects the Administration's commitment to maintain a Rural Electrification Administration program while recognizing existing budget constraints and other agricultural priorities.

The essential credit needs of REA borrowers will be served by this proposal. REA will continue to provide assistance and expertise to electric and telephone borrowers. Mr. Chairman, we ask your support of this fiscally sound budget request.

This concludes my statement. I will be happy to answer your questions or provide any additional information that you need.

RURAL ELECTRIFICATION ADMINISTRATION

Purpose Statement

The Rural Electrification Administration (REA) was established by Executive Order 7037 on May 11, 1935, to provide loan funds to eligible borrowers for the purpose of extending central station electric service to unserved persons in rural areas. Statutory provision for the agency was made in the Rural Electrification (RE) Act of May 20, 1936; and on July 1, 1939, under Reorganization Plan II, REA became a part of the Department of Agriculture. On October 28, 1949, the purpose of REA was expanded by Public Law 423, which amended the Act to authorize loans for furnishing telephone service to rural areas.

Public Law 93-32, enacted May 11, 1973, amended the Rural Electrification Act of 1936, as amended, by establishing a "Rural Electrification and Telephone Revolving Fund" (RETRF) for the purpose of making insured loans to REA electric and telephone borrowers. Loans made under this authority bear either 2 or 5 percent interest in accordance with criteria specified in the Act, and have a maturity not to exceed 35 years. The Act also authorized REA to guarantee loans made by other lenders at rates and terms agreed upon between the lender and the borrower. The Rural Electrification and Telephone Revolving Fund legislation contains the following statement of Congressional intent regarding the REA programs:

> ... it is hereby declared to be the policy of the Congress that adequate funds should be made available to rural electric and telephone systems through direct, insured and guaranteed loans at interest rates which will allow them to achieve the objectives of the Rural Electrification Act of 1936, as amended; and that such rural electric and telephone systems should be encouraged and assisted to develop their resources and ability to achieve the financial strength needed to enable them to satisfy their credit needs from their own financial organizations and other sources at reasonable rates and terms consistent with the loan applicant's ability to pay and achievement of the Act's objectives.

In October 1976, Public Law 94-570 amended the Act, changing the statutory criteria used in determining eligibility for the special interest rate (2 percent) insured loans. The change in criteria corrected unintended inequities resulting from P.L. 93-32, to bring the number of borrowers eligible for the special rate more in line with Congressional intent and with borrowers' actual needs for loan funds at this rate.

On August 13, 1981, the Omnibus Budget Reconciliation Act, Public Law 97-35, was signed into law to further amend the RE Act. This legislation changed the Act by eliminating the special 2 percent interest rate on insured loans from the RETRF. However, it did provide that the Administrator may make insured loans at a rate less than 5 percent, but not less than 2 percent, if the borrower has experienced extreme financial hardship, or cannot provide service consistent with the objectives of the Act without charging rates so high that a substantial disparity results between such rates and those charged for similar services in the same or nearby areas by other suppliers.

On December 21, 1987, the Omnibus Budget Reconciliation Act of 1987, Public Law 100-203, amended the Act to establish a Cushion of Credit Payment Program whereby borrowers are encouraged to make voluntary deposits into their cushion of credit account. This amendment provided that a Rural Economic

Development Subaccount be maintained in the Rural Electrification and Telephone Revolving Fund. This subaccount will be credited a sum determined by multiplying the outstanding cushion of credit payments made after October 1, 1987, by the difference between the average weighted interest rate paid on outstanding Certificates of Beneficial Ownership issued by the Fund and the 5 percent rate of interest provided to borrowers on cushion of credit payments. The Administrator is authorized to utilize the funds in the subaccount to make zero-interest loans and grants to borrowers for the purpose of promoting rural economic development and job creation projects.

As of September 30, 1989, REA employed a total of 528 full-time permanent employees, 8 part-time permanent employees, and 5 other employees. The field staff consisted of 114 permanent full-time employees located throughout the United States. These employees utilize their homes as their offices. REA maintains no field offices. The Washington staff was composed of 414 full-time permanent, 8 part-time permanent employees and 5 other employees.

Rural Telephone Bank

Public Law 92-12, approved May 7, 1971, amended the Rural Electrification Act of 1936, as amended, to establish the Rural Telephone Bank as a supplemental source of financing for the growing capital needs of rural telephone systems. Public Law 92-324, approved June 30, 1972, further amended the Act to permit the Secretary of the Treasury to purchase the Bank's debentures.

Public Law 93-32 made additional amendments to the Act and provided for Bank borrowing authority of 20 times its paid-in capital and retained earnings. It also required that the Bank charge a single interest rate, based on the average cost of money to the Bank, but not less than 5 percent per annum. Bank loans must be fully amortized over a period not to exceed 50 years. Most loans have been made for a 35-year period.

Public Law 100-203, approved December 22, 1987, authorized the prepayment of Rural Telephone Bank loans at face value without a prepayment premium during fiscal year 1988. The legislation also established a formula for determining interest rates on Rural Telephone Bank loans, defined the interest rate to be considered for purposes of assessing eligibility for loans, and established in the Bank a reserve for losses due to interest rate fluctuations.

The Rural Telephone Bank is managed by a 13-member board of directors. The Administrator of REA serves as Governor of the Bank until conversion to private ownership, control, and operation, which will take place when 51 percent of the Class A Stock issued to the United States and outstanding at any time after September 30, 1995, has been fully redeemed and retired. The Bank board holds at least four regularly scheduled meetings a year. Activities of the Bank are carried out by REA and the Office of the General Counsel employees.

Through fiscal year 1989, $534.7 million in Bank capitalization had been made available through the purchase by the United States of the Rural Telephone Bank's Class A Stock. Although the RE Act had originally set the maximum Government contribution at $300 million, the Farm Bill of 1981 amended the RE Act to permit continued Class A stock purchases in annual amounts not to exceed $30 million through fiscal year 1991, with total purchases not to exceed $600 million.

Rural Communication Development Fund

The Rural Development Insurance Fund (RDIF) was established on October 1, 1972, pursuant to section 116 of the Rural Development Act of 1972 (Public Law 92-419) approved August 30, 1972. The Rural Communication Development Fund (RCDF), a separate account of the RDIF, was established pursuant to Secretary's Memorandum No. 1988 approved May 22, 1979. This action transferred certain financing authorities under the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.) from the Farmers Home Administration (FmHA) to the Rural Electrification Administration for the purpose of financing the construction of community antenna television services or facilities in rural areas. The RCDF was set up to insure or guarantee loans for community antenna television services or facilities to both cooperatives and commercial borrowers. The program was authorized to utilize the Community Facility authority and the Business and Industrial authorities of the Rural Development Act of 1972.

During fiscal years 1979 and 1980, loan guarantees and administrative costs were funded from amounts authorized for or originally appropriated to FmHA. Since fiscal year 1980, all applicable administrative costs have been provided for in the REA Salaries and Expenses appropriation. Loan authority made available is provided for separately under the Rural Communication Development Fund.

In 1981, it was determined that sufficient capital was available from private investors and that the activity could be more appropriately financed by the private sector. REA continues to administer the existing program by making advances on previous loans and performing debt servicing. The last loan approved or guaranteed under this authority was in fiscal year 1981.

RURAL ELECTRIFICATION ADMINISTRATION

Available Funds and Staff-Years

1989 Actual and Estimated, 1990 and 1991

Item	1989 Actual		1990 Estimated		1991 Estimated	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Loan Authorizations:						
Rural Electrification:						
Insured loans............	$622,050,000	--	$622,050,000	--	$200,000,000	--
Insured loans (FFB)......	39,502,000	--	813,450,000	--	--	--
Total, electric loans......	661,552,000	--	1,435,500,000	--	200,000,000	--
Rural Telephone:						
Insured loans............	214,149,000	--	239,250,000	--	--	--
Insured loans (FFB)......	--	--	119,625,000	--	--	--
Total, telephone loans.....	214,149,000	--	358,875,000	--	--	
Rural Telephone Bank Loans.	177,044,700	--	177,045,000	--	125,000,000	--
Total, REA & RTB Loan Authorizations.............	1,052,745,700	--	1,971,420,000	--	325,000,000	--
Appropriated Funds:						
Salaries and Expenses......	30,689,306	532	31,124,000	537	33,055,000	531
Office of Administrator....	57,253	1	194,000	3	--	--
Reimbursement to the revolving fund for interest subsidies and losses...............	341,000,000	--	240,757,000	--	--	--
Purchase of Capital Stock..	28,710,000	--	28,710,000	--	--	--
Rural Economic Development Loans and Grants.........	540,000	--	4,992,000	--	--	--
Rural Communication Development Fund.........	1,447,000	--	1,329,000	--	1,264,000	--
Total, Appropriated Funds....	402,443,559	533	307,106,000	540	34,319,000	531
Total, Rural Electrification Administration, Rural Telephone Bank.............	1,455,189,259	533	2,278,526,000	540	359,319,000	531

Full-time Equivalent Staff-Years	1989 Actual	1990 Estimated	1991 Estimated
Ceiling......................	533	540	531
Non-ceiling..................	--	--	--
Total......................	533	540	531

RURAL ELECTRIFICATION ADMINISTRATION

Permanent Positions by Grade and Staff-Year Summary

1989 and Estimated 1990 and 1991

Grade	1989			1990			1991		
	Headquarters	Field	Total	Headquarters	Field	Total	Headquarters	Field	Total
Executive Level V	--	--	--	1	--	1	1	--	1
ES-5	1	--	1	1	--	1	1	--	1
ES-4	2	--	2	3	--	3	3	--	3
ES-3	1	--	1	1	--	1	1	--	1
GS/GM-15	14	--	14	15	--	15	15	--	15
GS/GM-14	50	--	50	51	--	51	51	--	51
GS/GM-13	90	104	194	87	112	199	78	112	190
GS-12	51	8	59	50	8	58	50	8	58
GS-11	29	2	31	26	5	31	26	5	31
GS-10	--	--	--	1	--	1	1	--	1
GS-9	27	--	27	27	--	27	27	--	27
GS-8	8	--	8	6	--	6	6	--	6
GS-7	49	--	49	49	--	49	49	--	49
GS-6	29	--	29	30	--	30	30	--	30
GS-5	23	--	23	23	--	23	23	--	23
GS-4	27	--	27	31	--	31	31	--	31
GS-3	6	--	6	6	--	6	6	--	6
GS-2	5	--	5	5	--	5	5	--	5
GS-1	--	--	--	--	--	--	--	--	--
Ungraded Positions	2	--	2	2	--	2	2	--	2
Total Permanent Positions.......	414	114	528	415	125	540	406	125	531
Staff-Years:									
Ceiling.........	422	111	533	415	125	540	406	125	531
Non-Ceiling.....	--	--	--	--	--	--	--	--	--
TOTAL	422	111	533	415	125	540	406	125	531

RURAL ELECTRIFICATION ADMINISTRATION

Classification by Objects

1989 and Estimated 1990 and 1991

	1989	1990	1991
Personnel Compensation:			
Headquarters................	$15,449,137	$15,757,000	$15,903,000
Field.......................	5,672,777	6,388,000	6,472,000
Total personnel compensation..........	21,121,914	22,145,000	22,375,000
12 Personnel benefits.....	3,302,525	3,543,000	3,826,000
13 Benefits to Former Personnel............	9,145	11,000	12,000
Total, Personnel Compensation and Benefits..	24,433,584	25,699,000	26,213,000
Other Objects:			
21 Travel.................	1,919,603	1,780,000	1,934,000
22 Transportation of things..............	34,555	40,000	86,000
23.3 Communications, Utilities and Other Rent	874,697	886,000	1,098,000
24 Printing and reproduction..........	315,353	320,000	352,000
25 Other services.........	1,785,293	1,509,000	2,190,000
26 Supplies and materials.	427,087	457,000	531,000
31 Equipment..............	955,961	627,000	651,000
42 Insurance claims........	178	--	--
43 Interest and dividends	248	--	--
Total, Other Objects...	6,312,975	5,619,000	6,842,000
Total, Direct Obligations..	30,746,559 a/	31,318,000 b/	33,055,000
Position Data:			
Average Salary, ES positions................	$76,575	$78,429	$91,798
Average Salary, GS positions................	$39,713	$40,589	$41,570
Average Grade, GS positions...............	10.64	10.63	10.59

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a/ Actual obligations include Salaries and Benefits of $56,069 and $1,184 in travel expenses for Office of the Administrator.

b/ Estimated obligations include Salaries and Benefits of $174,000 and travel expenses of $20,000 for Office of the Administrator.

RURAL ELECTRIFICATION ADMINISTRATION

The estimates include appropriation language for this item as follows (deleted matter enclosed in brackets; new material underscored):

1 Rural Electrification and Telephone Revolving Fund [Loan Authorizations]

Insured loans pursuant to the authority of section 305 of the Rural
Electrification Act of 1936, as amended (7 U.S.C. 935), shall be made [as
2 follows:] for rural electrification loans, [not less than $622,050,000
nor more than $933,075,000; and rural telephone loans, not less than
$239,250,000 nor more than $311,025,000; to remain available until
expended: Provided, that loans pursuant to section 306 of that Act are
in addition to these amounts but during 1990 total commitments to
guarantee loans pursuant to section 306 shall be not less than
$933,075,000 nor more than $2,100,165,000 of contingent liability for
total loan principal: Provided further,] $200,000,000: Provided, That as
a condition of approval of insured electric loans during fiscal year
3 [1990] 1991, borrowers shall obtain concurrent supplemental financing in
accordance with the applicable criteria and ratios in effect as of
4 July 15, 1982 [: Provided further, That no funds appropriated in this
Act may be used to deny or reduce loans or loan advances based upon a
borrower's level of general funds].

The first change eliminates Loan Authorizations from the account title.

The second change eliminates the range for rural electric loans and establishes the loan program at $200,000,000. The change also deletes the language authorizing insured telephone loans and guarantee of FFB loans. The Administration will propose legislation to provide a 90-percent REA guarantee of power supply loans and a 70-percent guarantee of electric distribution loans made by the private sector. All telephone loans will be shifted to the Rural Telephone Bank.

The third change updates the fiscal year designation.

The fourth change deletes the language which prohibits consideration of a borrower's level of general funds in making loans and advances.

DEPARTMENTAL OF AGRICULTURE
RURAL ELECTRIFICATION ADMINISTRATION

Rural Electrification and Telephone Revolving Fund

Loan Authorizations - Current Law

	Loan Authorization
Electrification Loans:	
Insured Loan, RETRF:	
Appropriation Act, 1990	$622,050,000
Budget Estimate, 1991 a/	200,000,000
Change	-422,050,000
Insured Loans, FFB	
Appropriation Act, 1990	813,450,000
Budget Estimate, 1991 a/	--
Change	-813,450,000
Decrease From 1990	-1,235,500,000
Telephone Loans:	
Insured Loans, RETRF:	
Appropriation Act, 1990	239,250,000
Budget Estimate, 1991 a/	--
Change	-239,250,000
Insured Loans, FFB	
Appropriation Act, 1990	119,625,000
Budget Estimate, 1991 a/	--
Change	-119,625,000
Decrease From 1990	-358,875,000
Total Decrease, RETRF	-1,594,375,000

a/ These estimates do not reflect legislation proposed for later transmittal to provide 90-percent REA guarantees of power supply loan and 70-percent guarantees of electric distribution loans made by the private sector. Insured electric loans will be gradually phased out. All telephone loans will be shifted to the Rural Telephone Bank.

Legislative will also be proposal to allow a guarantee origination fee of 1 percent to be charged on loan guarantee commitments. The fees will be deposited in the revolving fund and used to offset administrative and default costs. The fee will increase by one-half of 1 percent each year through 1995, reaching 3 percent in 1995.

RURAL ELECTRIFICATION AND TELEPHONE REVOLVING FUND - PROPOSED LEGISLATION

Budget Estimate, Current Law, 1991	$200,000,000
Changes due to proposed legislation	+1,100,000,000
Net Request, President's 1991 Budget Request	1,300,000,000

SUMMARY OF INCREASES AND DECREASES - CURRENT LAW
(On basis of loan authorizations)

Item of Change	1990 Estimated	Change	1991 Estimated
Rural Electrification Program:			
Insured Loans, RETRF........	$622,050,000	-$422,050,000	$200,000,000
Insured Loans, FFB..........	813,450,000	-813,450,000	--
Total	1,435,500,000	-1,235,500,000	200,000,000
Rural Telephone Program:			
Insured Loans, RETRF........	239,250,000	-239,250,000	--
Insured Loans, FFB..........	119,625,000	-119,625,000	--
Total	358,875,000	-358,875,000	--
TOTAL, LOAN AUTHORIZATION	1,794,375,000	-1,594,375,000	200,000,000

PROJECT STATEMENT - CURRENT LAW
(On basis of loan authorizations)

Project	1989 Actual	1990 Estimated	Decrease	1991 Estimated
1. Rural Electrification Loans:				
Insured Loans, RETRF........	$622,050,000	$622,050,000	-$422,050,000(1)	$200,000,000
Insured Loans, FFB...........	39,502,000	813,450,000	-813,450,000(2)	--
Total	661,552,000	1,435,500,000	-1,235,500,000	200,000,000
2. Rural Telephone Loans:				
Insured Loans, RETRF........	214,149,000	239,250,000	-239,250,000(3)	--
Insured Loans, FFB...........	--	119,625,000	-119,625,000(4)	--
Total	214,149,000	358,875,000	-358,875,000	--
Total estimated obligations....	875,701,000	1,794,375,000	-1,594,375,000	200,000,000

EXPLANATION OF ELECTRIC AND TELEPHONE LOAN PROGRAM

The loan authorizations of the Rural Electrification Administration are used to carry out the provisions of the Rural Electrification Act of 1936, as amended. The objectives of the program are to provide low-interest loans to borrowers that produce and distribute electricity and provide telephone service. REA administers the rural electrification program, which provides loans to borrowers that distribute electricity to farms and other retail users; and the rural telephone program, which furnishes and improves telephone service in rural areas.

Electrification Program Statistics
(Dollars in thousands)

	Cumulative Thru FY 1989 Actual	Cumulative Estimates FY 1990	FY 1991
REA financed loans................	$20,991,326	$21,613,376	$21,813,376
REA funds advanced................	19,577,377	20,212,377	20,748,377
REA unadvanced funds, end of year.	1,413,949	1,400,999	1,064,999
REA principal repaid..............	7,504,550	7,882,973	8,270,814
REA interest paid.................	6,471,859	6,970,977	7,489,148
FFB financed loans................	29,704,658	30,518,108	30,518,108
Consumers served-calendar year (thousand-estimated) 1/...	11,975	12,152	12,329
Miles energized-calendar year (thousand-estimated) 1/...	2,165	2,180	2,195
Number of borrowers...............	963	963	963

Telephone Program Statistics
(Dollars in thousands)

	Cumulative Thru FY 1989 Actual	Cumulative Estimates FY 1990	FY 1991
REA financed loans...............	$5,721,580	$5,960,830	$5,960,830
REA funds advanced	4,832,431	5,049,431	5,257,431
REA unadvanced funds, end of year....	889,150	911,399	703,399
REA principal repaid	1,655,451	1,783,328	1,914,387
REA interest paid	1,402,144	1,518,626	1,639,555
FFB financed loans...................	581,883	701,508	701,508
Route miles of line constructed or improved-(thousand-estimated) 2/	912	928	944
Dial subscribers, new and improved service-calendar year (thousands-estimated) 2/.........	5,211	5,326	5,441
Number of borrowers..................	962	962	962

1/ Data represents accomplishments from all sources of funds.
2/ Data represents accomplishments from borrowers financed 20% or more by REA, RTB, and guaranteed loans.

JUSTIFICATION OF INCREASES AND DECREASES

(1) A decrease of $422,050,000 in insured electric loans from the RETRF ($622,050,000 available in 1990).

Need for Change. Many REA borrowers are financially secure and can borrow in private-credit markets to meet their capital needs.

Nature of Change. The Administration proposes to shift to a guarantee of private-sector loans with a 70-percent guarantee of electric distribution loans. Insured electric loans will be gradually phased out.

(2) A decrease of $813,450,000 in FFB financed direct electric loans guaranteed by REA ($813,450,000 available in 1990).

Need for Change. This decrease will reduce Federal involvement in general credit activities and shift financially secure borrowers to the private sector.

Nature of Change. The level of FFB financed direct electric loans guaranteed by REA is reduced to reflect the Administration's proposal to guarantee 90 percent of private-sector loans for power supply.

(3) A decrease of $239,250,000 in insured telephone loans from the RETRF ($239,250,000 available in 1990).

Need for Change. Many telephone borrowers have excellent credit ratings and can obtain private-sector financing. Some borrowers are subsidiaries of large holding companies which are well established and financially secure.

Nature of Change. The Administration proposes to shift all telephone loans to the Rural Telephone Bank.

(4) A decrease of $119,625,000 in FFB financed direct telephone loans guaranteed by REA ($119,625,000 available in 1990).

Need for Change. This decrease will reduce Federal involvement in general credit activities and shift financially secure borrowers to the private sector.

Nature of Change. The level of FFB financed direct telephone loans guaranteed by REA is reduced to reflect the Administration's proposal to shift all telephone loans to the Rural Telephone Bank.

SUMMARY OF INCREASES AND DECREASES - PROPOSED LEGISLATION

	1991		
Item of Change	Current Law	Program Change	President's Request
Rural Electrification Program:			
Insured loans, RETRF............	$200,000,000	--	$200,000,000
Insured loans, FFB	--	--	--
Guaranteed private-sector loans:	--		
Electric Distribution.........	--	+$400,000,000	400,000,000
Power Supply..................	--	+ 700,000,000	700,000,000
Total.......................	200,000,000	+1,100,000,000	1,300,000,000
Rural Telephone Program:			
Insured loans,RETRF.............	--	--	--
Insured loans, FFB..............	--	--	--
Guarantee private-sector loans..........................	--	--	--
Total	--	--	--
Total, loans	200,000,000	+1,100,000,000	1,300,000,000

EXPLANATION OF PROPOSED LEGISLATION

The Rural Electrification Administration has been providing a 100 percent guarantee of FFB loans to electric and telephone borrowers. This proposal will gradually phase out insured electric loans and shift to REA guarantee of private-sector loans. REA guarantee commitment would be reduced to 90 percent of power supply loans and 70 percent for electric distribution loans. All telephone loans will be shifted to the Rural Telephone Bank.

This proposal would provide REA borrowers access to private-sector credit sources through guarantees and permit the Government to reduce its involvement as a direct source of credit.

In addition, the Budget proposes that a guarantee origination fee of 1 percent be charged on loan guarantee commitments and deposited into the revolving fund to offset administrative and default costs. The fee will increase by one-half of 1 percent each year through 1995, reaching 3 percent in 1995.

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Number and Amount of REA Electrification and Telephone Loans by State, Fiscal Year 1989

INSURED LOANS	ELECTRIC		TELEPHONE	
	NO.	Amount	No.	Amount
UNITED STATES	176	$622,050,000	61	$214,149,000
Alabama	4	10,842,000	4	21,712,000
Arizona	3	18,327,000	1	3,085,000
Arkansas	5	41,925,000	1	4,000,000
Colorado	3	14,326,000	1	373,000
Florida	5	38,719,000		
Georgia	16	88,008,000	1	2,586,000
Idaho			2	1,759,000
Illinois	3	6,797,000	1	1,636,000
Indiana	3	3,163,000	1	880,000
Iowa	3	3,331,000	4	3,475,000
Kansas	4	4,530,000	4	3,657,000
Kentucky	9	31,301,000		
Louisiana	1	1,610,000	2	5,886,000
Maine	3	878,000	1	385,000
Maryland	1	16,806,000		
Michigan	6	26,889,000	2	6,657,000
Minnesota	8	28,770,000	7	13,481,000
Mississippi	4	13,342,000	1	613,000
Missouri	12	24,961,000	3	22,392,000
Montana	3	5,870,000		
Nebraska	2	1,800,000	1	4,485,000
Nevada	1	5,393,000		
New Hampshire			2	3,180,000
New Mexico	2	7,787,000	1	4,625,000
New York			1	869,000
North Carolina	12	51,713,000	2	5,739,000
North Dakota	5	13,384,000		
Ohio	7	8,918,000		
Oklahoma	4	7,924,000	3	6,469,000
Oregon	4	4,878,000		
Pennsylvania	5	12,653,000	2	4,010,000
South Carolina	7	32,243,000		
South Dakota	7	8,621,000	3	5,433,000
Tennessee	2	5,681,000		
Texas	11	43,516,000	3	11,144,000
Virginia	3	22,960,000	1	4,729,000
Virgin Island			1	66,214,000
Washington	1	2,725,000	1	1,111,000
West Virginia			1	120,000
Wisconsin	7	11,459,000	3	3,444,000

GUARANTEED LOANS	ELECTRIC		TELEPHONE	
	No	Amount	No	Amount
UNITED STATES	3	$39,502,000	--	--
Michigan	1	6,651,000		
Missouri	1	2,457,000		
Wisconsin	1	30,394,000		

RURAL ELECTRIFICATION ADMINISTRATION

The estimates include appropriation language for this items as follows (deleted matter enclosed in brackets; new material underscored):

[Reimbursement to the Rural Electrification and Telephone Revolving Fund]

> [For an additional amount to reimburse the rural electrification and telephone revolving fund for interest subsidies and losses substained in prior years, but not previously reimbursed in carrying out the provisions of the Rural Electrification Act of 1936, as amended (7 U.S.C. 901-950(b)), $244,100,000.]

The change deletes the language authorizing reimbursement to the Rural Electrification and Telephone Revolving Fund for interest subsidies and losses. Since no appropriation is requested in fiscal year 1991, retention of the language is unnecessary.

DEPARTMENT OF AGRICULTURE
RURAL ELECTRIFICATION ADMINISTRATION

Rural Electrification and Telephone Revolving Fund

Reimbursement for Interest Subsidies and Losses

Appropriation Act, 1990	$244,100,000
Budget Estimate, 1991	--
Decrease in Appropriation	-244,100,000

Adjustment in 1990		
Appropriation Act, 1990	$244,100,000	
Gramm-Rudman-Hollings Reduction (P.L. 99-177)	-3,343,000	
Adjusted Base for 1990		240,757,000
Budget estimate, 1991		--
Decrease from adjusted 1990		-240,757,000

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

Item of Change	1990 Estimated	Changes	1991 Estimated
Reimbursement to the revolving fund for interest subsidies and losses	$240,757,000	-240,757,000	--

PROJECT STATEMENT
(On basis of appropriation)

Project	1989 Actual	1990 Estimated	Decrease	1991 Estimated
Reimbursement to the revolving fund for interest subsidies and losses...	$341,000,000	$240,757,000	-$240,757,000	--
Total, Adjusted Appropriation.....	341,000,000	240,757,000	-$240,757,000	--
Gramm-Rudman-Hollings Reduction	--	3,343,000		
Total, Appropriation	341,000,000	244,100,000		

EXPLANATION OF PROGRAM

This account reimburses the Rural Electrification and Telephone Revolving Fund for interest subsidies and losses resulting from defaults incurred by the revolving fund.

JUSTIFICATION OF INCREASES AND DECREASES

A decrease of $240,757,000 in reimbursement to the rural electrification and telephone revolving fund for interest subsidies and losses.

Need for Change. Additional reimbursement is not needed at this time. The fund is exempt by the Rural Electrification Act of 1936, as amended, from paying annual interest costs owed to the Treasury on advances totaling $7.9 billion.

Nature of Change - No appropriation is requested in FY 1991 for reimbursement to the revolving fund for interest subsidies and losses.

RURAL ELECTRIFICATION ADMINISTRATION

The estimates include appropriation language for this item as follows (deleted matter enclosed in brackets, new material underscored):

[Rural Economic Development Subaccount]

> [For grants and loans authorized under section 313 of the Rural Electrification Act for the purpose of promoting rural economic development and job creation projects, $5,000,000, to remain available until expended: Provided, that this amount will be in addition to any amounts generated by the interest differential on voluntary cushion of credit payments made by REA borrowers.]

This change deletes the language authorizing appropriations to the Rural Economic Development Subaccount. Loans and grants will be made with funds generated by the interest differential on voluntary cushion of credit payments made by REA borrowers. No appropriation is requested in fiscal year 1991.

DEPARTMENT OF AGRICULTURE
RURAL ELECTRIFICATION ADMINISTRATION

Rural Electrification and Telephone Revolving Fund

Rural Economic Development Subaccount

Appropriation Act, 1990	$5,000,000
Budget Estimate, Current Law, 1991	--
Decrease in Appropriation	-5,000,000

Adjustment in 1990		
Appropriation Act, 1990	$5,000,000	
Gramm-Rudman-Hollings Reduction (P.L. 99-177)	-8,000	
Adjusted Base for 1990		4,992,000
Budget estimate, 1991		--
Decrease from adjusted 1990		-4,992,000

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

Item of Change	1990 Estimated	Changes	1991 Estimated
Loans and Grants	$4,992,000	-$4,992,000	--

PROJECT STATEMENT
(On basis of appropriation)

Project	1989 Actual	1990 Estimated	Decrease	1991 Estimated
1. Appropriations for Loans and Grants	$540,000	$4,992,000	-$4,992,000	--
Total, Adjusted Appropriation	540,000	4,992,000	-4,992,000	--
Gramm-Rudman- Hollings Reduction	--	+8,000		
Total, Appropriation	540,000	5,000,000		

Pursuant to section 313 of the Rural Electrification Act, this subaccount was credited with an amount generated by the interest differential on voluntary cushion of credit payments made by REA borrowers. The estimated credit for FY 1990 is $985,000 and $1,050,000 for FY 1991.

PROJECT STATEMENT
(on basis of available funds)

Project	1989 Actual	1990 Estimated	Increase or Decrease	1991 Estimated
1. Loans	$1,869,200	$5,417,431	-$4,078,064	$1,339,367
2. Grants	--	601,937	-453,118	148,819
Total obligations	1,869,200	6,019,368	-4,531,182	1,488,186
Unobligated balance, start of year	-403,991	-101,850	-61,477	-163,327
Unobligated balance, end of year	-- 101,850	163,327	+70,472	233,799
Total, available or estimated	1,567,059	6,080,845	-4,522,187	1,558,658
Accrued Interest Differential & Repayments	-1,027,059	-1,088,845	-469,813	-1,558,658
Total, Appropriation	540,000	4,992,000	-4,992,000	--

EXPLANATION OF PROGRAM

This subaccount provides funds for loans and grants authorized under section 313 of the Rural Electrification Act of 1936, as amended, for the purpose of promoting rural economic development and job creation projects.

JUSTIFICATION OF INCREASES AND DECREASES

A decrease of $4,992,000 in appropriated funds for the Rural Economic Development Subaccount.

Need for Change. Earnings generated by the interest differential on voluntary cushion of credit payments made by REA borrowers will provide funds to meet the needs of the program.

Nature of Change. No appropriation is requested in FY 1991. Interest earned on cushion of credit payments made by REA borrowers will be utilized for zero-interest loans and grants.

RURAL ELECTRIFICATION ADMINISTRATION

STATUS OF PROGRAM

Current activities, progress, and current programs under each project are outlined below:

General Program Administration

From the start of the direct/insured loan program, through September 30, 1989, approximately $7.5 billion in regular principal payments and $6.5 billion in interest payments have been made by electric borrowers. Telephone borrowers have paid $1.7 billion in principal and $1.4 billion in interest. As of September 30, 1989, two insured telephone borrowers were in arrears with a delinquency of $157 thousand and one RTB borrower with a delinquency of $728 thousand. There were eight electric borrowers in arrears with a total delinquency of $641.5 million. Of this amount $625.4 million is due from six borrowers for guarantees honored by REA, and $16.1 million is due from five borrowers on direct/insured loans (three of whom are also delinquent on guaranteed loans). Workout agreements have been successfully negotiated with five electric borrowers who were experiencing financial difficulty.

The balance of advance payments/cushion of credit accounts by electric and telephone borrowers was $73.0 million on September 30, 1989, a decrease of $2.9 million from a year earlier. In the electric program, the advance payment/cushion of credit balance was $29.0 million as of September 30, 1989, a decrease of $6.3 million from a year earlier. In the telephone program, the advance payment/cushion of credit balance was $44.0 million as of September 30, 1989, an increase of $3.4 million from September 30, 1988.

Accounting and Auditing - REA accountants are responsible for conducting Loan Fund and Accounting Reviews (LFAR) of borrower accounting systems and procedures in both the electric and telephone programs. The main objectives of these reviews are to determine the adequacy of the borrowers' accounting for loan advances and other construction fund receipts and the propriety of construction fund expenditures, to evaluate the effectiveness of borrowers' internal plant accounting control systems, and to review the adequacy of the annual certified public accountants'(CPA) audits. During fiscal year 1989, REA accountants completed 700 LFAR's in the electric and telephone programs. In 169 of these reviews, it was found that loan funds were disbursed from the borrowers' construction fund accounts in error for reasons of inadequate documentation, duplication of previously claimed expenditures, disbursements exceeding approvals, unapproved advances, or claims for expenses not covered by REA financing. These disallowances totaled over $84.5 million.

REA is reviewing the effectiveness of the methods of recording and controlling borrowers' assets, liabilities, and operations, and also the validity of the resulting reports. Reliable reports aid management's control of operations, planning, forecasting, cash flow projections, loan security, and program appraisal. REA accountants are also responsible for advising borrowers in the development, establishment, and proper maintenance of acceptable public utility accounting records systems.

These areas of responsibility are carried out primarily in the field by the field accounting staff with supervision and technical assistance provided by the Washington office. However, the Washington Staff does have a limited responsibility in conducting LFAR's in general, but has primary responsibility in conducting LFAR's of generation and transmission (G&T) cooperative and telephone holding company borrowers.

REA accountants are also responsible for establishing and maintaining relationships with borrower CPAs through contacts and visits to review their audit working papers. The visits allow REA to place as much reliance as possible on the work of the CPAs when REA accountants' perform LFAR's.

Through the review of annual CPA audit reports of borrowers' accounting records, the Washington headquarters accounting staff brings significant disclosures and comments made in the reviews to the attention of appropriate Agency officials. These reviews also enable the accounting staff to emphasize to the borrowers that the actions recommended by the CPA and/or REA field accountants should be taken to correct weaknesses and deficiencies in borrower accounting and reporting.

In addition, the Technical Accounting and Auditing Staff (TAAS) in Washington reviews and evaluates CPA's working papers for compliance with REA auditing requirements. CPA's who have been selected on a random basis for review are provided with a comprehensive report of the Rural Electrification Administration's (REA) evaluation of the audit working papers. If the review indicates the need, a follow-up visit with the CPA is scheduled. This program has been quite successful in increasing compliance with REA audit requirements, and in some instances, in alerting REA to problem areas with the CPA audits.

On January 1, 1988, REA's peer review requirement became effective. This requirement provides that every CPA or CPA firm auditing an REA borrower be a member of an approved peer review program and that the CPA or CPA firm have a peer review of their accounting and auditing practice performed at least once every 3 years. To date, 65 percent of the CPA's and CPA firms auditing in the REA program have undergone a peer review. Ninety-six percent of these have received unqualified or "clean" opinions. The peer review requirement assures that the CPA or CPA firm has established an appropriate quality control system for its accounting and auditing practice and that it is adhering to that system, thereby allowing REA to place a much higher degree of reliance on the financial information submitted by our borrowers.

TAAS provides accounting advice and guidance to the REA staff, borrowers, CPA firms, and others as necessary. The guidance provided concerns complex and, at times, unique accounting problems and issues occurring in the electric and, telephone utility industries. Accounting assistance is also provided regarding interpretations of statements issued by the Financial Accounting Standards Board and Federal and state regulatory commissions. The technical accounting advice and guidance assures the maintenance of uniform accounting standards among borrowers.

Rural Economic Development - REA strongly encourages rural electric and telephone systems to play a major rcle in improving the economy of rural areas through voluntary support of economic development projects. Rural utility systems are in a unique position of leadership to provide the initiative, as well as financial and technical assistance, for rural development projects.

The Omnibus Budget Reconciliation Act of 1987 (OBRA) established the REA Rural Economic Development Loan and Grant Program. The program provides zero-interest loans and grants to borrowers for the purpose of promoting rural economic development and job creation projects. All REA borrowers are eligible for funds under the new program provided they are current on all Federal debt and not in bankruptcy proceedings.

During fiscal year 1989, REA made 24 zero-interest loans totaling $1,870,000 to borrowers in 14 states. The loans ranged in size from $16,200 up to the maximum of $100,000 with an overall average of $78,000. REA selects rural development projects based on supplemental funds provided from other sources, unemployment and income levels, job creation and other factors. All of the projects REA selected in 1989 were leveraged with supplemental funds from other sources, including private financial institutions, local and state governments, regional development organizations, other Federal agencies, REA borrowers, and owner's equity. The 24 loans made in 1989 went primarily to promote or assist business incubators, manufacturing facilities, and industrial buildings.

In addition to the zero-interest loan and grant program, OBRA provided REA electric borrowers with another opportunity to increase their participation in rural development activities. REA electric borrowers are now permitted to invest their own funds and make loans and guarantees up to 15 percent of their total utility plant without obtaining the prior approval of the REA Administrator.

Civil Rights - It is the policy of the Rural Electrification Administration that no person in the United States shall, on the grounds of race, color, national origin, age, or handicap be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination under the REA electric and telephone loan programs. Provisions requiring the extension of service on an area coverage basis have been in REA loan contracts since the 1940's; consequently, allegations of discrimination in the extension of service against REA borrowers are extremely rare. It is also REA's policy that employment opportunities created by construction work involving Federal financial assistance through REA loans are made equally available to all qualified persons, without regard to age, race, color, national origin, religion, sex, or handicap.

REA encourages its borrowers to actively involve minorities and women in their programs and activities and has developed guidelines which borrowers may use to help increase participation. Female and minority members participate in REA-financed programs through: (1) obtaining electric and telephone service, (2) employment, (3) attendance at annual meetings, (4) membership on committees and advisory bodies, and (5) membership on cooperatives' boards of directors.

In fiscal year 1989, REA continued to promote patronage of minority business enterprises by REA borrowers and to assist the borrowers to develop training and employment opportunities for minorities and women. REA has continued its efforts to broaden outreach with minority organizations and institutions by working cooperatively with USDA agencies to strengthen and expand the capacity of historically black colleges and universities to serve the national interest through quality education.

During fiscal year 1989, REA processed and analyzed civil rights compliance and participation reports required of its 889 electric borrowers and 970 telephone borrowers. In addition, the REA Civil Rights Staff completed modified civil rights compliance reviews of a total of 93 electric and telephone borrowers in the field. Additionally, the General Field Representatives of REA conducted 217 pre-award reviews and 514 post-award reviews.

REA civil rights guidelines (REA Bulletin 20-19:320-19, REA Staff Instruction 20-19:320-19, REA Bulletin 20-15:320-15, and REA Staff Instruction 20-18:320-18) are continuing to be revised and codified. Also, REA is promoting its Basic REA Civil Rights Development Program for cooperatives and telephone companies. This voluntary initiative is a national effort and provides the means for REA borrowers not only to comply with civil rights requirements, but for strengthening the borrowers' equal opportunity posture. REA borrowers have adopted this program and this initiative has stimulated borrowers to greater achievements in the important areas of civil rights and equal opportunity. At the close of fiscal year 1989, a total of 369 electric and 185 telephone borrowers are participating in this program, an increase of 75 borrowers from the past fiscal year.

Management Improvement Efforts - REA management is continuously striving to ensure the security of the $59.5 billion in financing provided to over 2,000 electric and telephone borrowers since the inception of the program. Additionally REA provides engineering and management assistance to its borrowers. These entail auditing, accounting, and management responsibilities with automated data processing (ADP) supports.

The assessment of current and future ADP usage in the agency continues. In fiscal year 1989, the General Services Administration's Federal Office Automation Support Center completed an Office automation study for REA and made recommendations for future ADP usage in the agency. The recommendations have been adopted as part of the agency's long-range plan. Departmental technical approval for the implementation has been received and the first year of implementation has begun. The study identified five major activities in the electric and telephone programs. These activities are loan processing, post-loan processing, borrower operations, policy and procedures, and administrative. The post-loan processing activities include the use of the agency's loan accounting systems in addition to other support systems. In fiscal year 1989, a contract was let to perform a functional requirements analysis and general system design for this activity. The resulting system will provide an integrated accounting and management system which will meet the agency needs now and in the future. For the remaining activities, agency personnel will analyze current systems and incorporate new requirements. Then applications will be developed for the new office automation program.

REA has completed a baseline physical personal property inventory and converted to an automated property system. This automated Personal Property System (PROP) is an online database management system accessed through electronic communications. Implementation of this automated system will reduce the time required in creating and maintaining agency property records as well as reduce the cost of preparing reports.

REA has converted its purchase orders from a manual system to an automated system. The Purchase Order Online Data Entry (PRCH) is a National Finance Center (NFC) menu driven software program. Implementation has allowed REA direct entry to obligate and record purchase order data through the use of remote computer terminals. It also gives REA the capability to query into obligation, receipt, and invoice records of purchase order data stored at NFC.

REA is converting from a manual forms creation system to an automated system for both the creation and storage of forms. This conversion is a result of the continuous efforts to increase efficiency in carrying out management programs.

REA's long-range plan includes converting agency directives to an electronic storage system, making revisions easier to accomplish, and establishing a framework for eventual electronic dissemination.

Training - REA continues to develop employees through new and existing training programs. These programs give REA a source from which to draw and fill managerial positions as REA senior level employees reach retirement age. The OPM Executive Seminar Centers is frequently used for training our managers in advanced managerial skills.

The secretarial training program will be continued. This program offers training to all clerk-typists and secretaries in the agency. It is designed to provide these employees with guidance on current procedures and policies related to the clerical and administrative functions of managing an office. Courses offered in fiscal year 1989 included Effective English, Telephone Technique, Proof Reading, and Effective Secretarial Techniques.

In addition to the formal training programs given in headquarters, training is also provided for field staff at area conferences. Topics include Federal Employees Retirement System, stress and time management, defensive driving, alcohol and drug abuse, and how to deal with difficult people. Computer training was provided to 250 employees in fiscal year 1989. Computer training will continue to be provided in fiscal year 1990 as employees become familiar with the basics and progress to more advanced usage of the computer equipment.

ELECTRIC PROGRAM

Borrowers' Progress and Financial Development - As of December 31, 1988, REA has provided financing to a total of 1,057 rural electric borrowers in 46 States and Puerto Rico. At the end of 1988, 950 of these borrowers had loans outstanding to REA and were providing electric service to 11,145,000 consumers over 2,020,000 miles of line, and employing 56,651 full-time employees. Of the total 950 active borrowers, 888 were engaged primarily in operating distribution systems while 62 were engaged in operating generation and transmission systems. During fiscal year 1989, borrowers received REA and non-REA financing to add 235,309 new consumers and 15,767 miles of line.

Since 1948, the typical (median) rural electric distribution borrower has more than doubled the number of miles of line operated and more than tripled the number of consumers served. As of December 31, 1988, the typical electric distribution borrower had 1,924 miles of line and 7,964 consumers. As an illustration of size diversity, 67 borrowers had fewer than 2,000 consumers and 45 had more than 35,000 consumers.

Energized distribution borrowers as a whole showed a strong financial position. However, there are individual distribution borrowers with financial problems. The composite Times Interest Earned Ratio, a critical measure of financial strength, increased from 2.37 to 2.48. Net margins from distribution operations were $856 million. Power Supply borrowers, on a composite basis, performed well financially. There are, however, individual power supply cases involving substantial investment where problems are not yet resolved. The financial difficulties are resulting from causes such as oversupply, increasing construction costs, and cancellation of construction. REA is working with these troubled borrowers to arrange workout agreements to solve financial problems while allowing the Government to be repaid in full.

The following schedule provides a percentage distribution of kilowatt-hours (kWh) sold, revenue, and consumers by type reported by REA borrowers operating distribution systems for calendar year 1988.

Type of Consumer	kWh Sold	Revenue	Consumers
Residential, Farm and Non-Farm	60.6	64.4	90.4
Commercial and Industrial, Small	18.3	18.8	7.9
Commercial and Industrial, Large	16.0	11.5	0.1
Other	5.1	5.3	1.6
Total	100.0%	100.0%	100.0%

Borrower Equity - As of December 31, 1988, the composite net worth of all electric borrowers was $9,812 million or 18 percent of total assets, compared with $3,538 million or 18 percent, in 1978. Distribution borrowers had a composite net worth of $8,481 million or 38 percent, as of December 31, 1988, compared with $3,192 million or 31.4 percent in 1978 and 33.6 percent in 1984. Power supply borrowers had a composite net worth of $1,332 million or 4.0 percent, as of December 31, 1988, compared with $346 million or 3.5 percent in 1978 and 3.9 percent in 1984.

Electric Rates - During calendar year 1988, the REA electric distribution systems had a net decrease in farm and residential rates (revenues per kWh) of 0.1 percent. This compares with increases of 1.1 percent in 1987, 1.5 percent in 1986 and 3.1 percent in 1985. The average rate to the farm and residential consumers was 7.31 cents in 1988, 7.32 cents in 1987, and 7.24 cents in 1986 and 7.13 cents in 1985.

Fiscal Year 1989 Loan and Loan Guarantee Activity - During fiscal year 1989, REA approved 176 loans in the aggregate amount of $622,050,000 and 3 loan guarantees in the amount of $39,502,000.

Supplemental Financing - During fiscal year 1989, lien accommodations to REA power supply borrowers provided $56.9 million for the following power projects: Southern Maryland Electric Cooperative for a 77 MW gas turbine; United Power Association for fuel switching from coal to refuse derived fuel at the existing 45 MW Elk River Power Plant; and Colorado-Ute Electric Association for the 110 MW Nucla circulating fluidized bed combustion plant currently undergoing start-up testing. Supplemental lenders made 176 loans totaling $246 million of financing to REA borrowers in fiscal year 1989.

Borrower Generation Facilities completed - REA borrower ownership in generating plants declared commercial during fiscal year 1989 is shown below.

Borrower	Project	MW	Fuel	State
Arkansas Electric Co-op	Lock 13	31.50	Hydro	Arkansas
Oglethorpe	Vogtle 2	345.00	Nuclear	Georgia

System Bankruptcies - There are currently three borrowers that have filed for Chapter 11 bankruptcy. Wabash Valley Power Association, Inc., Indianapolis, Indiana, filed in 1985; and Eastern Maine Electric Cooperative, Inc., of Calais, Maine, and Washington-St. Tammany Electric Cooperative, Inc. (WST), of Franklinton, Louisiana, filed in 1987. There were no new filings in fiscal year 1989.

These bankruptcies are related to power supply matters. It is likely that litigation will continue for some time before the final impact on REA and these borrowers is determined. WST has agreed with the Government to a plan to come out of bankruptcy and pay the Government debt in full. The Louisiana Public Utilities Commission is considering the rate increase necessary to implement the plan. REA is working directly with the Department of Justice in taking appropriate action to protect the Government's interest in these legal proceedings.

A few other borrowers are experiencing or expect to experience financial difficulty in the near future. To help these borrowers and to protect the Government's investment, an REA Workout Team has been established. This team coordinates the REA portion of the workout plan with the Department of Justice, the borrowers, and private lenders. To date, the team has been assigned 13 projects for workout. Of these projects, five have been successfully negotiated and workouts are in place. The workout agreements provide reasonable assurance that the $3 billion of Federal debt exposure may be repaid.

Repayment Default by Borrowers - As of September 30, 1989, there were five power supply borrowers and three distribution borrowers in default on their loan or loan guarantee repayments. The amounts in default for power supply borrowers were $625.4 million of loan guarantees and $3.8 million of direct loans. For distribution borrowers, the amount in default was $12.3 million of direct loans.

Underground Cable Problems - Early failures and excessive maintenance costs on underground distribution systems are still causing concern throughout the industry and are of particular concern to electric cooperatives with considerable amounts of underground distribution facilities. The need to replace large amounts of underground cable will cause severe financial stress for some distribution borrowers.

Borrower Consolidation - During fiscal year 1989, REA ran its computer merger model for 42 borrowers that are investigating the possibility of consolidating with other systems. Interest in consolidation is growing as borrowers consider better ways to manage in today's business environment. During fiscal year 1989, four borrowers consolidated into two systems.

REA Staff Activity - In addition to regular loan activities during fiscal year 1989, REA staff has been involved in the following:

A. A number of proposed rules and procedural items were developed for publishing in the Federal Register and code of Federal Regulation.

   In October 1988, REA published a regulation, 7 CFR Part 1710, Subpart C, Alternate Loan Application Procedures, to establish a simplified alternate loan application procedure for distribution borrowers meeting specified financial, operational and managerial criteria.

   In June 1989, REA published 7 CFR Part 1715, Subpart B, Investments, Loans, and Guarantees by Electric Borrowers. This rule clarifies the effect of Section 312 of the RE Act, which has, since December 1987, authorized borrowers without restriction or prior approval of the Administrator of REA to make investments, loans, and guarantees up to 15 percent of total utility plant for rural development projects.

B. Development of improved specifications for material and wood products used for construction and updating of the REA Approved Material List and Line Construction Standards.

C. Development of improved load forecasting methods utilizing econometric end-use methods.

D. Assistance in development of important rate (wholesale and retail) matters to encourage efficient end use of electricity and to encourage sales of surplus capacity.

E. Streamlining procedures and assuring compliance with environmental requirements imposed on REA and its borrowers through the NEPA Act, Advisory Council on Historic Preservation and Council on Environmental Quality regulations, and various Executive Orders. During the fiscal year, REA held seven interagency meetings, conducted eight site and corridor inspections, held nine public scoping meetings, and issued 10 findings of no significant impact. In addition, REA held four environmental workshops to provide assistance to its borrowers. Moreover, about 870 environmental reports covering relatively minor projects were reviewed, commented upon, and ultimately approved during the fiscal year.

F. Encouraging borrower utilization of more efficient load management to promote better use of electricity, save operating costs, and postpone need for new generating capacity.

G. Participation on national technical committees such as transformer switchgear, and underground cable, allowing REA to keep current on industry development for the benefit of the REA program.

H. Participation on the program committee of the Appalachian Underground Corrosion Short Course held annually at West Virginia University and attended by borrower representatives. This enables REA to direct private industry resources to the efforts of solving borrowers' underground cable corrosion problems.

I. Participation in all aspects of the Annual Institute of Electrical and Electronic Engineers (IEEE) Rural Electric Power Conference. This technical conference is attended by many borrower representatives and discusses problems and solutions experienced by rural electric utilities.

J. Development of improved construction specifications for underground distribution through the revision and updating of REA Bulletin 50-6 (D-806), Specification and Drawings for Underground Electric Distribution, which is expected to be completed in December 1989.

K. Assisted borrowers, through a series of workshops on the proper procedures and techniques used in purchasing materials, contracting, and preparing construction work plans. Workshops were held in Alabama, Georgia, Mississippi, New Mexico, and Texas to provide REA's borrowers with needed information so that they will be in compliance with their mortgage and loan contract.

Fund Advances and Construction Progress

	1988	1989
Insured Loan Advances (fiscal year)............	$582,665,771	$713,021,557
Consumers connected (calendar year estimate) ..	200,000	240,000
Miles energized (calendar year estimate).......	15,000	16,000
MW generating capacity financed (fiscal year) .	715	0

NOTE: Unadvanced insured electrification loan funds aggregated $1.4 billion as of September 30, 1989.

Cumulative Payments

	Fiscal Year	
	1988	1989
Payments:		
Principal..............................	$7,099,512,527	$7,457,176,502
Interest	6,003,567,221	6,469,022,336
Payments ahead of schedule	35,348,804	28,963,073
Payments overdue more than 30 days ...	8,247,186	16,061,078
Interest and principal lost on two foreclosures	44,478	44,478

Progress of Electrification Program - The cumulative figures presented in the following Tables I and II show the progress that has been made in the electrification program since its inception.

TABLE NO. I - ELECTRIFICATION LOANS
(Cumulative Figures)

Date	Total Insured Loans All Purposes a/	Long-Term Supplemental Loans b/	Loan Guarantee Commitments	Construction Authorized By Total Loans to Date	
				Miles of Line	Consumers to be Served
1936 - 1963	$5,020,163,286			1,555,087	5,762,534
June 30, 1964	5,280,871,573			1,572,769	5,929,349
June 30, 1965	5,631,572,196			1,590,628	6,081,976
June 30, 1966	5,942,226,055			1,611,242	6,439,948
June 30, 1967	6,292,885,281			1,630,939	6,439,948
June 30, 1968	6,642,684,316	$ 62,000,000		1,772,866	6,637,276
June 30, 1969	6,985,363,485	62,000,000		1,660,552	6,737,301
June 30, 1970	7,329,418,562	62,000,000		1,681,825	6,908,440
June 30, 1971	7,690,458,056	74,774,000		1,699,683	7,113,261
June 30, 1972	8,128,458,056	243,170,000		1,772,866	7,412,054
June 30, 1973	8,746,398,057	350,408,100		1,756,889	7,858,579
June 30, 1974	9,364,746,057	884,373,000	$ 974,433,000	1,789,464	8,297,824
June 30, 1975	10,065,663,198	1,049,343,500	2,130,776,000	1,826,837	8,691,541
June 30, 1976	10,814,505,146	1,247,750,000	3,422,329,000	1,857,872	8,992,150
Sept. 30, 1977	11,843,244,646	1,526,088,308	7,811,694,000	1,889,603 c/	9,363,546 c/
Sept. 30, 1978	12,695,852,805	1,771,115,232	10,120,812,000	1,935,184	9,878,264
Sept. 30, 1979	13,743,204,822	2,059,865,340	15,550,489,000	1,971,249	10,310,990
Sept. 30, 1980	14,667,668,821	2,425,257,643	20,794,423,000	2,004,249	10,743,122
Sept. 30, 1981	15,517,468,822	2,930,690,643	25,787,839,000	2,036,370	11,124,452
Sept. 30, 1982	16,367,468,822	3,227,509,036	30,803,239,470	2,060,917	11,416,909
Sept. 30, 1983	17,210,757,822	4,323,016,968	33,033,014,812	2,094,917	11,672,909
Sept. 30, 1984	18,052,907,819	4,979,133,896	33,645,164,820	2,104,455	12,120,855
Sept. 30, 1985	18,607,067,832	7,114,632,970	32,372,593,434	2,120,972	12,375,867
Sept. 30, 1986	19,249,602,935	7,370,602,091	30,980,392,027	2,137,532	12,622,463
Sept. 30, 1987	19,833,743,216	7,559,700,000	30,959,549,842	2,160,040	12,845,500
Sept. 30, 1988	20,420,021,878	7,804,779,000	31,497,487,828	2,172,945	13,210,669
Sept. 30, 1989	20,991,325,799	9,277,490,897	30,879,101,072	2,185,129	13,510,018

a/ Comprised of REA insured loans.
b/ Includes commitments for long-term financing from all sources other than REA direct and insured lpan and loan guarantee programs.
c/ Reflects June 30 statistics.

TABLE NO. II - ELECTRIFICATION CONSTRUCTION
(Cumulative Figures)

Date	Loan Funds Advanced to Borrowers REA Loans a/	Under Guarantee b/	Construction Completed c/ e/ Total Miles Energized	Construction Completed c/ e/ Total Consumers Served	Construction Completed c/ e/ Total mWh Sales d/ (Annual) (Thousands)
1936 - 1963	$4,205,858,366		1,526,812	5,237,912	35,357,255
1964	4,451,822,854		1,547,143	5,386,088	39,836,854
1965	4,751,612,288		1,566,772	5,541,478	42,668,054
1966	5,030,390,048		1,586,502	5,652,844	48,439,056
1967	5,339,134,905		1,606,497	5,806,017	52,880,144
1968	5,734,077,563		1,627,445	5,986,140	58,303,933
1969	6,101,157,248		1,650,240	6,196,967	66,421,021
1970	6,463,530,118		1,676,001	6,442,332	76,009,289
1971	6,875,490,883		1,700,348	6,747,698	84,282,836
1972	7,293,974,951		1,732,545	7,076,249	93,534,163
1973	7,748,574,076		1,766,701	7,457,123	100,688,298
1974	8,428,574,076		1,797,525	7,767,813	105,690,807
1975	4,140,430,790	$ 249,237,000	1,827,896	8,017,654	112,669,814
1976	9,813,780,284	902,438,000	1,857,434	8,311,779	124,004,376
1977	10,689,455,578	2,287,307,219	1,890,173	8,630,818	131,547,776
1978	11,425,761,950	4,053,295,219	1,917,859	8,962,540	141,908,005
1979	12,332,895,522	5,741,699,219	1,950,394	9,275,086	150,055,226
1980	13,300,561,317	8,178,223,219	1,978,758	9,523,552	160,243,316
1981	14,223,624,965	12,148,594,761	2,009,504	9,844,319	167,687,587
1982	15,033,054,352	16,163,645,166	2,036,416	10,096,448	172,731,820
1983	15,706,706,260	19,285,946,383	2,057,702	10,555,401	187,193,706
1984	16,298,908,490	21,637,515,383	2,082,093	10,836,358	209,063,661
1985	16,960,120,665	23,679,423,763	2,100,005	11,110,158	215,175,311
1986	17,691,652,392	25,013,019,178	2,122,550	11,357,105	215,599,260
1987	18,282,355,463	25,580,697,271	2,142,419	11,628,110	223,965,317
1988	18,865,058,534	25,779,086,688	2,150,389	11,797,981	236,468,484
1989	19,577,377,221	26,004,433,688	2,165,450 est.	11,974,950 est.	248,291,900 est.

a/ Fiscal Year - Includes advances on REA direct and insured loans.
b/ Fiscal Year
c/ Calendar Year.
d/ Excludes energy sales by one REA borrower to another.
e/ Data includes financing from all sources.

TELEPHONE PROGRAM

Providing Initial Service To Rural Subscribers - REA financed telephone companies and cooperatives continue to provide initial telephone service in rural areas for those people who are beyond the reach of existing, conventional telephone facilities. In calendar year 1988, approximately 92,309 new subscribers received initial service from REA borrowers.

In Arkansas, REA borrowers have provided initial telephone service to six unserved territories. In 1985, the Public Service Commission reported 80 unserved areas, ranging in size from a few square miles to 240 square miles of rugged, mountainous land with approximately 150 dwellings in Scott County. Recently, the Arkansas Public Service Commission was approached by two REA telephone borrowers interested in serving the Scott County area. They are now in the preliminary stages of system design. REA is working with the telephone companies and the Arkansas Public Service Commission to facilitate the provision of telephone service to these residents.

In New Mexico, E.N.M.R. Telephone Cooperative has provided first-time telephone service in many isolated areas. In the Whites Lakes area, just 25 miles from the State Capital, initial telephone service was provided to 17 homes. In the Bingham area, telephone lines have been extended to serve 42 homes that have never had telephone service. Prior to REA financed services, the nearest telephone was a 10-party line, located 21 miles away, and served by another telephone company. People in this area, which is near White Sands, had to be personally told by the Military police of missile firings since there were no telephone communications. Initial telephone service was also extended to 46 homes west/southwest of Corona, New Mexico. The State Corporation Commission allocated the area southwest of Corona to the REA cooperative because the contiguous telephone company refused to service the homes in this region.

Many of these new subscribers could not have been served using conventional telecommunications facilities. The use of rural radio has reduced the cost of serving these remote subscribers.

It is estimated that there are approximately 500,000 rural people in the United States for whom no telephone service is available. REA continues to provide financing that allows borrowers to offer initial service to subscribers. In addition, borrowers are encouraged and assisted in the development of new technological and economic innovations in rural communications.

Upgrading Rural Telephone Service - Over 5.25 million subscribers were receiving service on REA financed systems as of December 31, 1988. Of this total, 94.1 percent were receiving one-party service, an increase of 0.9 percent from December 31, 1987. Continued progress is being made toward single-party service in rural communities as shown below.

Percent of Subscribers by Grade of Service
End of Calendar Year

Service	1984	1985	1986	1987	1988
1-party.............	88.3%	90.1%	91.8%	93.2%	94.1%
2-party.............	1.6%	1.3%	1.1%	0.9%	0.8%
4-party.............	9.5%	8.2%	6.8%	5.7%	5.0%
5-party (or more)...	0.6%	0.4%	0.3%	0.2%	.1%

Upgrading service has resulted in an increase in long-distance calling which has in turn increased telephone revenues. Average toll revenue and access-charge revenue per subscriber increased from $447 in 1987, to $456 in 1988, while the average local service revenue per subscriber decreased from $190 to $183.

Utilizing Modern Technology - REA encourages the utilization of proven telecommunications technologies to advance the information needs of rural America. REA currently finances several enhanced telecommunications services such as digital switching, fiber optics, integrated services digital network (ISDN), and educational television (ETV). During fiscal year 1989, the following amounts were financed by REA:

Digital equipment	$141,877,350
Fiber Optics	$ 21,158,332
Upgrades, ISDN, SS7	$ 5,431,500
ETV	$ 3,618,000

Financial Development of Telephone Borrowers - Total operating revenues reported by REA telephone borrowers in calendar year 1988 amounted to $3.6 billion compared with $3.3 billion in 1987. Toll-service revenues amounted to 64.6 percent of this total or about $2.3 billion. This is a continuation of the trend in the past few years which has been due to upgrading service to subscribers, increased ownership of toll lines by borrowers, and improved toll settlement contracts.

The agency continues to encourage borrowers to seek outside financing for plant additions. This is part of the Administration's efforts to reduce borrowers' dependence on REA financing. As part of this effort, the agency has implemented a final rule that eliminates REA financing for headquarters facilities, terminal equipment, company vehicles, and work equipment. Borrowers have been able to attract the outside capital necessary to finance projects related to expansion and modernization of basic telephone services and other telecommunications facilities because of REA's policy concerning lien accommodations and subordinations.

Borrower Net Worth - Borrowers' net worth increased by $306 million during calendar year 1988 and now represents 35.4 percent of total assets. The following table shows that total net worth has increased approximately 303 percent during the last 10 years and the average net worth to assets ratio has also improved substantially.

Net Worth

Year	No. of Borrowers Reporting	Reported Net Worth (in $000's)	Average Net Worth for all Borrowers (in $000's)	Net Worth as % Total Assets
1978	902	$1,252,867	$1,389	24.7%
1984	946	2,585,408	2,733	28.5
1985	942	2,853,771	3,029	30.1
1986	935	3,108,226	3,324	31.4
1987	920	3,494,074	3,798	33.4
1988	913	3,799,730	4,162	35.4

Borrower Plant Investment - At the end of calendar year 1988, telephone plant-in-service totaled $11.6 billion, an increase of $451 million for the year. This represents an investment per subscriber of $2,273, a 2.2 percent increase over the $2,225 per subscriber investment reported in 1987.

Management Assistance - REA provides assistance to borrowers in the area of loans, management, revenue requirements, and other matters to support the most efficient use of loan funds and preserve the security of outstanding loans. Special emphasis has been placed on reducing borrowers' dependence on Government loan funds through more efficient management practices and the development of new sources of revenue.

Recent changes in the telephone industry, including deregulation and technological developments, have caused many borrowers to consider undertaking projects to provide new telecommunication services. Although certain telecommunication services may not be eligible for financing under the RE Act, these services nevertheless advance Act objectives where the borrower obtains financing from private lenders. The borrower's financial strength and the assurance of repayment of outstanding Government debt will be improved as a result of providing new telecommunication services.

Popular areas of diversification are cable television, satellite television receive-only earth stations, and wholesaling or retailing of cellular mobile radio and electronic equipment. REA has reviewed numerous proposals, pro forma financial statements, market studies and contracts in order to ensure that feasibility and loan security are preserved or enhanced.

Other management functions include extensive financial analysis of borrower finances through the annual Borrower Management Profile (a series of ratios which provide a detailed picture of borrower operations), performing operations and maintenance studies, and closely monitoring borrowers with financial conditions that could endanger loan security. In addition, REA analyzes the effects of toll settlement changes on both the state and interstate level, develops depreciation rates, and studies the effect of deregulation of operations-related functions such as station equipment and inside wiring. As part of a formal agreement, REA and the Federal Communications Commission are assisting each other in monitoring the effects of Federal decisions on rural telephone companies and subscribers.

Washington and field staffs are also informed of regulatory changes in the telecommunications industry. Information is provided to the field staff through presentations at the Telecommunications Engineering and Management Seminars and the National Conference. In addition, REA participates in many seminars sponsored by various national, regional, and state associations to assist telephone borrowers with their operations. Textual information on industry changes is circulated to both the Washington and field staffs.

Codification of Regulations - The REA telephone staff is continuing to rewrite and publish all the REA regulations in the Federal Register. In the past, policies and requirements of the telephone program had been contained in numerous REA bulletins, staff instructions, telecommunications engineering and construction manuals, and telecommunications operations manuals. Many of these were outdated and contained conflicting information.

During fiscal year 1989, the following telephone loan program regulations were published as final rules in the Federal Register:

1. 7 CFR Part 1745, General Policies, Types of Loans, Loan Requirements
2. 7 CFR Part 1749, Preloan Procedures and Requirements
3. 7 CFR Part 1750, Acquisitions, Mergers, and Consolidations
4. 7 CFR Part 1754, Advance and Disbursement of Funds
5. 7 CFR Part 1763, Architectural and Engineering Services
6. 7 CFR Part 1765, Telephone Materials, Equipment, and Construction:
    - Subpart A - General
    - Subpart B - Construction of Buildings
    - Subpart C - Purchases and Installation of Central Office Equipment
    - Subpart D - Outside Plant Major Construction by Contract
    - Subpart F - Purchase and Installation of Special Equipment

7. 7 CFR Part 1772.97, Incorporation by reference of telephone standards and specifications:

- **Bulletin 345-22, REA Specifications for Voice Frequency Loading Coils**
- **Bulletin 345-150, Specifications and Drawings for Construction of Direct Burial Plant**
- **Bulletin 345-151; Specifications and Drawings for Conduit and Manhole Construction**
- **Bulletin 345-152, Specifications and Drawings for Underground Cable Installations**
- **Bulletin 345-153, Specification and Drawings for Construction of Pole Lines and Aerial Cables.**

- **Bulletin 345-154, Specifications and Drawings for Service Entrance and Station Protect Installations**
- **Bulletin 345-165, General Specifications for Digital, Stored Program Constalled Central Office Equipment**

In addition, the following final rules are being administratively reviewed before publishing:

1. 7 CFR 1751, Loan Processing Procedures

2. 7 CFR 1762, Standard Forms of Telecommunications Contracts
   - Issuance of revised Form 515, Telephone System Construction Contract, Labor and Materials.

3. 7 CFR 1772, Telephone Standards and Specifications
   - Issuance of reviewed PE-37, REA Specification for Seven Wire Galvonized Still strand.
   - Issuance of new Form 397h, REA Specifications for Digital Lightwave Transmission Systems

The following proposed rules are also being reviewed:

1. 7 CFR 1762, Standard Forms of Telecommunications Contracts
   - Issuance of revised Form 525, Central Office Equipment Contract (Including Installation)

2. 7 CFR 1772, Telephone Standards and Specification
   - Issuance of PE-22, REA Specifications for Aerial and Underground Cables.

Proposed rule 7 CFR 1765, Telephone Materials, Equipment, and Construction, was published in the Federal Register to add:

- Subpart E, Outside Plant Major Construction by Force Account
- Subpart G, Minor Construction
- Subpart H, Construction Certification program.

In addition, REA anticipates that 7 CFR 1751, Loan Processing Procedures, will be published as a final rule in November 1989. CFR 1758, Loan Security Documents, is in draft form.

REA continues to revise its certification procedures. Borrowers will be able to carry out certain REA financed construction without REA approval, including plans and specifications, engineering contracts, construction contracts, force account proposals, and final close-out documents. The revision should simplify procedures and encourage borrowers to assume more responsibility for their activities.

Telecommunications Engineering and Standards Activities - Rapid technological growth continues within the telecommunications industry. The REA engineering support staff is adapting to these changes and to the trend towards deregulation in a manner that will benefit rural America. REA efforts are primarily being directed towards utilizing basic national and international standards in innovative ways that will provide reliable and cost effective telecommunications services. REA continues to work with standards development organizations to assure that the needs of rural America are properly recognized in the industry standards.

REA's role in developing its own independent materials and equipment standards is diminishing. The agency is participating with the telecommunication industry's standards development organizations to assure that the standards will properly protect the interests and needs of REA telephone borrowers serving sparsely inhabited areas. REA continues to support the application of new products in rural telephone systems. Our goal is to assure the availability of equipment and practices that will provide dependable and economic telecommunications services to rural America.

The following paragraphs describe some of the major activities in the engineering and construction areas undertaken by REA during the past year.

Service to subscribers in sparsely populated rural areas requires planning, innovation, and patience. The REA staff continues to work with manufacturers, consulting engineers, and REA borrowers on innovative techniques for economical rural telephone service. One technique of interest is the wireless loop concept where subscribers are served by radio.

REA has promoted the radio-loop concept for 30 years as an alternative to the high cost of wireline construction in sparsely inhabited rural areas. To date, there are very few REA radio loops in service. Limited market, high cost, and lack of FCC allocated primary frequencies have been the major obstacles. However, recent developments in the industry and Government have created conditions that should improve the situation.

One of these developments is a new service using radio-loop equipment called Basic Exchange Telecommunications Radio Service (BETRS). BETRS will enable a telephone company to provide a radio link from a remote subscriber location to the local serving central office at costs that are considerably less than conventional means.

During the 1989 REA Engineering and Management Seminars, the BETRS concept and the FCC licensing requirements were explained; and REA loan applicability was defined. REA staff provided details on potential manufacturers and their equipment and typical uses. REA borrowers who are in BETRS field trail status also described their systems and experiences during the seminars.

Since the seminar, various parties (such as REA, borrowers, consulting engineers, manufacturers, and the FCC) have been involved in the following BETRS projects:

- REA is working with an additional manufacturer to guide them in the procedures in getting their radio equipment on the List of Materials. This equipment could work in both the 150 and 450 Mhz bands.

- Allen, Kansas, has applied to complete the upgrade of their system to one-party service using International Mobile Machine (IMM) radio equipment.

- The FCC, since granting Nevada Bell a waiver to use microwave radio for telephone service in Nevada, has emphasized that this was a unique circumstance by denying two additional requests for waivers. In May the FCC denied Pacific Bell and Nevada Bell's request for additional 2 Mhz of

BETRS frequency allocated and a general waiver of the 100-mile radius restriction on the allocated private radio channels. In June it denied LEACO Rural Telephone Cooperative's request for a waiver to use Instructional Fixed Television Service (IFTS) channels for BETRS service in New Mexico.

- A BETRS radio equipment manufacturer is negotiating with a Texas borrower to be the REA field trial location.

- The FCC engineering staff indicated that there has been increased application activity, especially by the large telephone companies, since BETRS was authorized in January 1988.

Subscribers of several REA borrowers are now receiving wireless telephone service using BETRS radio equipment. One type of BETRS radio equipment has been REA-accepted for general use and field trials are pending for two other equipment types.

Lightwave transmission systems have become economic alternatives to the traditional wire communications systems in both urban and rural areas. The use of lightwave systems by REA borrowers continues to increase and has now reached a stage of general use in rural telecommunications systems. Lightwave transmission equipment from several manufacturers have been REA-accepted for general use. International standards for compatible electrical and light interfaces are being developed. The Synchronous Optical Network (SONET) standards will encourage a competitive market for lightwave systems and reduce obsolescence from model changes.

Fiber optic cables used by the majority of REA systems support toll trunking. Since these systems do not usually have adequate toll diverting facilities for alternate routing, a service interruption caused by an out-of-service fiber optic cable could have a detrimental effect on revenues for the borrower. Splices have long been recognized as the weak link in telephone outside plant systems. This is particularly true in small telephone systems like those of REA borrowers, who often have limited financial resources and few trained fiber maintenance technicians. In an effort to assist the borrower in his selection of fiber optic splicing hardware, the REA is cooperating with hardware manufacturers in the development of acceptance criteria for mechanical fiber optic splices. The integrity of the outside plant can be further increased through the use of improved splice closures.

Some REA borrowers are designing their outside plant networks to meet the service demands of potentially high growth areas. To meet their needs, REA is responding to the need for flexibility in Serving Area Interface (SAI) hardware. Discussions have begun with certain pedestal manufacturers to stimulate production of large pair count capacities, specialized terminal blocks and cross-connect arrangements, feeder/distribution ratio options, corrosion protection, and preassembled and prestubbed options.

REA, along with telecommunications cable manufacturers and users, is a voting member of the Insulated Cable Engineers Association (ICEA)/Telco Advisory Panel. For the past 5 years, the panel has been working to develop consensus telecommunications wire and cable standards that can be referenced by specifying organizations to reduce the existing myriad of wire and cable designs. This would lower material costs for all telecommunications users. The panel has already developed a filled buried telecommunications standard which has been approved by the American National Standards Institute.

Two manufacturers have been accepted for the production of "mini-coils" which are smaller versions of the load coils used historically in REA telephone systems to meet transmission requirements. These smaller loading coils are lighter in weight, smaller in overall size, and less costly than their counterparts.

It has been brought to REA's attention that there were several failures of pole line hardware, particularly bolts. Because several manufacturers, consulting firms, and contractors were involved, the reported failures seem to be the result of poor quality hardware instead of improper application. Some of the failures resulted directly in injury to workmen. REA has reinstituted the standards for certain types of pole line hardware in an effort to eliminate the recurrence of hazardous situations.

The REA specification for filled buried wire, PE-86, is being revised to meet the need for a buried wire capable of being used both as a low pair count subscriber distribution wire and a drop wire to the subscriber's premise. The draft revision has been completed and will be circulated to the telecommunications industry for review.

The REA specification for totally filled buried fiber optic cables is undergoing revision to reflect new cable designs and to update performance requirements to specify a capability for operation of the 1550 nanometer wavelength as well as at 300 nanometers as imposed by the existing specification. Circulation of the initial draft for comments is imminent.

REA is revising its specifications PE-39 and PE-89 for filled telephone cables to reference, where possible, the latest American National Standards Institute (ANSI)-ICEA standard for filled. polyolefin insulated copper conductor requirements. This revision would bring the REA specifications into conformance with a published industry standard.

REA revised its specification for aerial and underground cables to reflect current design changes evolving from advancements in technology and materials. The revision was accepted by Technical Standards Committee "A" (Telephone) in March 1989 and a proposed rule notice will be published in the Federal Register.

The REA specification for self-supporting aerial cable is being revised to reflect current design requirements. The specification was forwarded to the telecommunications industry for review. Comments have been received and will be incorporated into a final draft to be submitted to the Technical Standards Committee "A" (Telephone).

The use of digital transmission systems by REA borrowers continues to grow. During 1989, REA published new practices and updated existing practices on digital transmission systems. These include practices on digital terminals and multiplexers, digital cross-connect and drop and insert systems, and lightwave terminology with other practices in the latter stages of development. These practices provide REA borrowers with updated information and guidelines for the use of digital systems in rural telecommunications.

Loan funded purchases of digital switching systems continued to rise in calendar year 1988 as compared to the 1987 level, but remained well under the record high year of 1986. The dollar purchase amount in 1988 was $95.7 million as compared to $92.7 million in 1987 and $125.2 million in 1986. There was also a continuing trend toward the conversion of the smaller rural exchanges to digital switching.

The proposed rule notice regarding revision of the Central Office Equipment Contract, REA Form 525, is expected to appear in the Federal Register early in FY 1990. Changes were required in the September 1966 issue of this form to update the terms and conditions so the current technological and business environment is more effectively reflected. The proposed contract will include new requirements (1) to provide for a complement of spare parts, (2) to provide a software license, (3) for patent, copyright, and trademark infringement, (4) for consequential damages, and (5) for equal employment opportunities; and to revise and update provisions for (1) delivery and installation of equipment, (2) inspection and testing of the completed installations, (3) payments to the contractor, (4) insurance, (5) liquidated damages, and (6) completion of the project. This action will allow REA telephone borrowers to continue to improve their ability to provide subscribers with the most modern and efficient telephone service.

The final rule notice regarding revision of the REA Form 522 "General Specification for Digital, Stored Program Controlled Central Office Equipment" appeared in the Federal Register on August 18, 1989. The revision was necessary so borrowers could take full advantage of the availability of new services and the rapid changing technology of electronic telephone central office equipment.

Listed central office manufacturers are required to submit an item-by-item statement of compliance with the provisions of the revised REA Form 522 central office specification. Recommendations, based on the manufacturers response, will be provided to Committee "A" (Telephone) by COE Branch as to whether a system should remain technically accepted by REA.

An increasing amount of time is being devoted to technical evaluation reviews for possible REA acceptance of new digital switches, enhancements to presently listed switches and pair gain systems. Introduction of new features, new switching configurations and technological advancements are the forces bringing about these new developments.

The continuing program of monitoring in-service central office switching systems for detection of unusual, recurring fault or failure conditions has been very successful. This monitoring program, with the cooperation of the suppliers, has brought about several system design changes which have resulted in improved system operation and a significant reduction in circuit card failure rates. A new pre-cutover grounding system audit requirement is expected to further contribute to central office equipment protection.

Starting with the 1987 construction, REA has established an electronic data base of outside plant activity. For the year 1987, REA tabulated 119 bids which generated 11,752 lines of data following REA Form 515 unit plant designations. The first 6 months of the calendar year 1988 activity, consisting of 53 construction projects, have been added to the data.

	1987	6 Months 1988	1988
Number of Bids:			
All projects	119	53	108
Projects with fiber optic cable	39	27	53

For 1987, about one third of the proposed projects included fiber optic cable. For 1988, the proportion rose to nearly 50 percent. For both years, the sheath miles of fiber optic cable was approximately 2,000. For 1987, REA observed mostly four-fiber cable being proposed. This has changed with 1988, however, as a shift to larger numbers of fiber (6 or more) in the cable is apparent.

A number of reports have been prepared describing the new construction. Average labor and material costs for 1987 were calculated in conformance with the Form 515 standard units. These average unit costs are available to compare with today's bid evaluations.

To date, the optical fiber cable plant costs for the Southwest and Northeast Areas have been developed. The optical costs are based on the 1987 Outside Plant Bid Data. Eleven projects were analyzed to develop fiber optic costs. These projects have costs attributable to fiber optics ranging from 40 percent to 100 percent of the total project costs. Costs for the Northwest and Southeast Areas are under development.

The costs for fiber optic cable plant reveal some factors that have wide variations and need to be monitored closely. There is a significant increase in cable placement costs when the cable placement depth exceeds 48 inches. The cost-per-mile for directly burying a fiber cable averages $2,027 per mile for 48-inch depth and $8,386 per mile at 60 inches.

In using the optical-per-mile costs for comparison purposes, one should be watchful of the labor costs. In the Southwest Area, the Buried Fiber Optics (BFO) labor cost for 36-inch depth ranged from $210 to $400 per kilofoot, at 48-inch depth $330 to $500 and at 60-inch $950 to $4,000 per kilofoot. Northeast Area bids also varied. Wisconsin bids had BFO labor costs that ranged from $244 (at E48; E = EXTENDED DEPTH) to $590 (at E42). Maine BFO labor costs, at E36, ranged from $600 to $800 per kilofoot.

Telecommunications Staff Division (TSD) continues to cooperate with other Federal agencies and industry to improve rural telecommunications. We are working with NASA on the land mobile satellite program, National Telecommunication and Information Administration (NTIA) on their studies such as Telecom 2000, FCC on various Notice of Proposed Rule Making, and the Exchange Carriers Standard Associations' T1 ANSI accredited committee on telecommunications standards.

REA is actively participating on Surge Protective Devices Committees of the American National Standards Institute and the Institute of Electrical and Electronics Engineers, and on Committees of T1Y1.4 and the Protection Engineers' Group of the Exchange Carriers Standards Association. These efforts will assist in the development of guides and standards relating to discrete electrical surge arresting components; complete product devices such as telephone station protectors, network interface devices, building entrance protectors, telephone central office protectors; and power surge suppression devices for electric power facilities serving telephone central offices.

REA also continues to maintain active membership on the ANSI Joint Telecommunications Standards Coordinating Committee (JTSCC) and on Panel 16 of the National Fire Protection Association. ANSI's JTSCC was established in an effort to help prevent the development of conflicting standards. Panel 16 of the National Fire Protection Association is responsible for telecommunication wiring requirements appearing in American National Standards Institute Standard 70, National Electrical Code (NEC). Most states within the union adopt the NEC and require telephone companies to install facilities strictly in accordance with this Code. REA maintains membership on the committee to assure borrowers' rural area concerns are taken into account in the Code (requirements) development process.

The 1989 Telecommunications Engineering and Management Seminars were held throughout the United States during February, March, and April. A total of 1,299 persons attended--one of the best records for this type of seminar.

Majority of the sessions were panel discussions, with invited speakers from other Government agencies, independent consulting engineers, experienced REA borrowers, and REA staff members. This panel exchange provided a wide variety of experiences and the information was very well received.

TELEPHONE PROGRAM STATISTICS

Through September 30, 1989, REA loans, loan guarantees, and loans from the Rural Telephone Bank totaled $8.9 billion. The percentage of farms with telephone service has increased from about 38 percent in 1949 to about 96 percent in 1988. Satisfactory rural telephone service today implies an improved grade of service from the eight-party rural concept of years ago. In keeping with subscriber demand, REA recommends four-party, flat rate rural service as the minimum standard. Because of increasing demands for one-party service in rural areas, REA continues to encourage borrowers to develop systems to meet this demand at reasonable rates.

Loan Activity - During fiscal year 1989, 61 insured loans were approved totaling $214,149,000 and 28 Rural Telephone Bank loans were approved totaling $177,044,700. No loan guarantee commitments were made. Also, during the year there were 42 rescissions of prior year loans totaling $97,411,325. This included 11 REA loans for $5,095,380, 29 RTB loans for $58,819,038, and 2 loan guarantee commitments for $33,496,907.

Fund Advances and Construction Progress

	1988	1989
Advances (fiscal year)		
REA Loans..........................	$175,290,838	$167,157,699
RTB Loans..........................	$119,727,903	$ 97,046,947
Loan Guarantees....................	$ 3,325,000	$ 2,187,000
Route miles of line constructed or improved, net	5,373	7,515
Subscribers receiving new or improved service, net..........	60,521	118,770

Through September 30, 1989, borrowers had received advances from the REA loan program totaling $7,146,925,542. Total REA telephone, Rural Telephone Bank loans, and loan guarantee commitments approved provided for construction and improvement of 984,615 miles of line and new or improved dial service to 5,842,511 subscribers. Unadvanced insured telephone loan funds totaled $1,598,502,145 as of September 30, 1989.

Cumulative Payments - REA Loans

	1988	1989
Payments: (fiscal year)		
Principal (Including payments ahead of schedule)...........	$1,540,264,973	$1,655,450,624
Interest........................	1,290,412,161	1,402,144,284
Payments ahead of schedule.....	40,582,706	44,030,636
Payments overdue more than 30 days......................	863,417	175,597

Progress of REA and RTB Telephone Programs

The cumulative figures presented in the following Tables I and II show the progress that has been made in the REA and RTB telephone programs since their inception.

TABLE NO. I - TELEPHONE LOANS
(Cumulative Figures)

Date	Total REA Net Loans a/	Telephone Bank Net Loans	Loan Guarantee Commitments	Construction Authorized By Total Loans to Date: Route Miles of Line To Be Constructed or Improved	Construction Authorized By Total Loans to Date: Subscribers to Receive New or Improved Service
1950 - 1963	$ 990,992,987			469,805	1,859,873
June 30, 1964	1,078,444,387			492,700	1,964,601
June 30, 1965	1,167,902,734			511,956	2,043,900
June 30, 1966	1,266,041,761			519,156	2,116,895
June 30, 1967	1,380,557,341			534,200	2,202,030
June 30, 1968	1,499,674,227			545,493	2,271,874
June 30, 1969	1,623,413,120			552,927	2,364,493
June 30, 1970	1,746,578,450			564,771	2,450,421
June 30, 1971	1,870,028,433			579,233	2,543,516
June 30, 1972	2,002,536,718	$ 90,954,800		596,119	2,698,337
June 30, 1973	2,147,368,193	240,913,490		616,274	2,854,530
June 30, 1974	2,287,396,227	397,344,290		636,755	3,026,688
June 30, 1975	2,487,335,227	557,532,080	$200,000,000	693,064	3,494,543
June 30, 1976	2,737,299,979	737,202,830	381,615,000	742,225	3,842,606
Sept. 30, 1977 ...	3,032,569,126	923,744,623	393,873,000	768,097	4,093,482
Sept. 30, 1978 ...	3,298,955,598	1,076,923,873	391,918,000	790,669	4,318,651
Sept. 30, 1979 ...	3,548,961,362	1,207,676,173	311,918,000	815,975	4,497,419
Sept. 30, 1980 ...	3,793,445,662	1,367,234,097	417,903,000	835,464	4,672,647
Sept. 30, 1981 ...	4,032,971,525	1,520,511,682	469,946,000	859,457	4,899,384
Sept. 30, 1982 ...	4,272,115,929	1,694,587,539	629,335,000	888,000	5,091,000
Sept. 30, 1983 ...	4,517,363,859	1,860,593,433	673,647,000	905,000	5,219,000
Sept. 30, 1984 ...	4,738,327,507	1,993,109,001	740,438,000	924,137	5,407,097
Sept. 30, 1985 ...	4,938,184,502	2,141,439,869	679,454,000	935,399	5,500,096
Sept. 30, 1986 ...	5,109,951,104	2,222,571,187	679,454,000	940,774	5,583,517
Sept. 30, 1987 ...	5,338,204,715	2,392,178,866	673,397,000	971,719	5,663,220
Sept. 30, 1988 ...	5,512,526,619	2,407,583,826	664,391,000	977,092	5,723,741
Sept. 30, 1989 ...	5,721,580,239	2,525,809,488	630,894,093	984,607	5,842,511

a/ Comprised of REA insured loans.

TABLE NO. 11 - TELEPHONE CONSTRUCTION
(Cumulative figures)

Date	REA Loan Funds Advanced To Borrowers a/	Telephone Bank Loan Funds Advanced To Borrowers b/	Loan Funds Advanced To Borrowers Under Guarantee b/	Construction Completed c/ d/	
				Route Miles of line Constructed or Improved	Subscribers Receiving New or improved Service
1950 - 1963	$ 792,465,840			414,271	1,523,406
1964	876,695,138			431,475	1,626,590
1965	957,487,449			460,141	1,726,359
1966	1,039,691,323			482,005	1,825,861
1967	1,142,941,570			499,179	1,944,334
1968	1,242,998,913			533,559	2,067,025
1969	1,348,878,422			554,190	2,184,575
1970	1,484,279,069			547,322	2,334,511
1971	1,621,729,749			568,051	2,428,868
1972	1,754,097,487	$ 587,923		583,922	2,574,814
1973	1,876,472,536	45,642,259		603,747	2,725,030
1974	1,998,530,418	144,350,892		627,483	2,919,113
1975	2,141,897,321	274,228,758	$ 5,528,683	652,884	3,045,292
1976	2,284,760,323	387,163,911	45,588,544	683,648	3,283,223
1977	2,492,089,204	486,044,526	95,045,815	726,271	3,599,069
1978	2,637,142,419	628,341,716	138,360,625	748,361	3,877,060
1979	2,835,240,540	758,881,783	184,760,170	771,951	4,072,709
1980	3,074,345,739	958,826,018	246,829,859	797,944	4,262,359
1981	3,355,041,322	1,107,425,390	283,524,456	804,982	4,374,005
1982	3,593,616,042	1,219,657,517	348,210,000	830,948	4,545,576
1983	3,775,526,906	1,313,060,353	379,459,740	846,989	4,628,778
1984	3,963,360,749	1,403,510,902	422,929,740	868,333	4,746,909
1985	4,099,287,553	1,476,186,159	443,832,740	871,643	4,792,145
1986	4,328,619,093	1,547,946,679	470,162,740	868,923	4,832,686
1987	4,489,982,114	1,599,921,617	492,525,960	877,218	5,004,558
1988	4,665,272,952	1,719,409,984	495,850,960	895,553	5,096,867
1989	4,832,430,651	1,816,456,931	498,037,960	911,908 est.	5,210,662 est.

a/ Fiscal Year - Includes advances on REA direct and insured loans.
b/ Fiscal Year.
c/ Calendar Year.
d/ Excludes some borrowers who have received REA loans, RTB loans, and REA loan guarantee commitments totaling less than 20 percent of total assets.

RURAL ELECTRIFICATION ADMINISTRATION

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Rural Telephone Bank

> The Rural Telephone Bank is hereby authorized to make such expenditures,
> within the limits of funds and borrowing authority available to such
> corporation in accord with law, and to make such contracts and
> commitments without regard to fiscal year limitations as provided by
> Section 104 of the Government Corporation Control Act, as amended, as may
> be necessary in carrying out its authorized programs for the current
> 1 fiscal year. During [1990] 1991, and within the resources and authority
> available, gross obligations for the principal amount of direct loans
> 2 shall be not [less than $177,045,000 nor] more than [$210,540,000]
> $125,000,000.

The first change updates the fiscal year designation of the limitation on new loans.

The second change eliminates the range for the loan program and establishes the maximum loan program at $125,000,000.

DEPARTMENT OF AGRICULTURE
RURAL ELECTRIFICATION ADMINISTRATION

Rural Telephone Bank - Current Law

	Loan Authorization
Appropriation Act, 1990	$177,045,000
Budget Estimate, 1991	125,000,000
Change	- 52,045,000

	Estimated Obligations	Other Authorizations (Borrowing Authority) a/
Appropriation Act, 1990	$236,405,000	$71,082,000
Budget Estimate, 1991	188,394,000	42,666,000
Change	-48,011,000	-28,416,000

a/ Reflects estimated borrowing authority encumbered.

RURAL TELEPHONE BANK - PROPOSED LEGISLATION

Budget Estimate, Current Law, 1991........................	$125,000,000
Change due to proposed legislation.........................	+200,000,000
Net Request, President's 1991 Budget Request..............	325,000,000

SUMMARY OF INCREASES AND DECREASES
(On basis of obligations)

	1990 Estimate	Program Changes	1991 Estimate
Operating Cost:			
Administrative expenses.	$69,000	+$4,000	$73,000
Interest expense	58,591,000	+3,980,000	62,571,000
Dividends..................	700,000	+50,000	750,000
Loan authority............	177,045,000	-52,045,000	125,000,000
Total available........	236,405,000	-48,011,000	188,394,000

PROJECT STATEMENT - CURRENT LAW
(On basis of obligations)

	1989 Actual	1990 Estimated	Increase or Decrease	1991 Estimated
1. Operating Costs:				
(a) Administrative Expense.......	$518.667	$69.000	+$4,000(1)	$73,000
(b) Interest expense	56,790,579	58,591,000	+3,980,000(2)	62,571,000
2. Dividends........	576,895	700.000	+50,000(3)	750,000
3. Loans............	177,044,700	177,045,000	-52,045,000(4)	125,000,000
Total obligations.....	234,930,841	236,405,000	-48,011,000	188,394,000

EXPLANATION OF RURAL TELEPHONE BANK PROGRAM

Public Law 92-12, approved May 7, 1971, amended the Rural Electrification Act of 1936, as amended, to establish the Rural Telephone Bank as a supplemental source of financing the Rural Telephone Program. The act, as amended, permits the Secretary of the Treasury to purchase the Bank's debentures. This reduces RTB borrower costs. Public Law 93-32, approved May 11, 1973, further amended the Act to increase the Bank's borrowing authority from eight to twenty times its paid-in-capital and retained earnings. The Bank charges an interim rate from date of advance until the end of the fiscal year of the average yield on outstanding marketable obligations of the United States with comparable maturity of the approved advance. After the first year, a complex formula for computing the Bank's lending rate applies, but not less than 5 percent per annum.

Borrowing Authority

Equity capital of the Bank consists of Class A stock, bearing a 2 percent dividend, purchased by the United States Government; Class B and C stock purchased by Bank borrowers, organizations eligible to become borrowers, organizations controlled by borrowers; and retained earnings. The maximum borrowing authority of the Bank is limited to 20 times its paid-in-capital and retained earnings. Total borrowing authority available to the Bank in 1989 was $1.5 billion. In 1990, available borrowing authority is estimated at $1.6 billion.

Highlights of Operation

The Rural Telephone Bank made 28 loans totaling $177,044,700 in fiscal year 1989. Since its inception, the Bank has made loans totaling $2,525,809,488 to 600 borrowers.

The Bank's net income from October 1, 1988, to September 30, 1989, amounted to $52,226,378, after making provision for a return of $10,554,868 on Class A stock held by the government, a balance of $41,671,510 was available for patronage refunds, dividends, and retained earnings. Assets of the Bank totaled $1,676,730,924 as of September 30, 1989, and liabilities were $773,236,332. The Bank has invested some of the proceeds from the sale of Class B and C stock in United States securities; interest on these investments amounted to $57,071.

Program Statistics
(Dollars in thousands)

	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
Cumulative net loans..................	$2,525,810	$2,702,855	$2,827,855
Cumulative loan funds, advanced......	1,816,457	1,936,457	2,060,457
Unadvanced loan funds, end of year...	709,353	766,398	767,398
Cumulative principal repaid..........	331,354	357,751	386,632
Cumulative interest paid.............	1,093,174	1,208,575	1,330,402
Number of borrowers..................	600	600	600

JUSTIFICATION OF INCREASES AND DECREASES

(1) A net increase of $4,000 for administrative expense ($69,000 available in 1990).

Need for change. An increase of $4,000 in administrative support costs needed to sustain general operations of the Bank.

Nature of change. Certain administrative expenses, such as Directors' fees and travel, supplies, postage, and miscellaneous expenses are estimated to increase in fiscal year 1991.

(2) An increase of $3,980,000 in interest payments to Treasury by the Rural Telephone Bank ($58,591,000 available in 1990).

Need for change. The increase of $3,980,000 is necessary because cash balances on deposit with the U.S. Treasury are estimated to decrease and reduce the amount of earned interest credit. Interest expense on Treasury borrowings will increase due to the reduced credit earnings.

Nature of change. Interest expense will increase because of reduced cash balances which will decrease interest earned on these balances.

(3) An increase of $50,000 in dividends payable ($700,000 available in 1990).

Need for change. An increase of $50,000 for dividends payable to stockholders of Class C Stock of the Rural Telephone Bank.

Nature of change. Class C stockholders are entitled to dividends, payable from the Bank's operating income.

(4) A decrease of $52,045,000 in loans ($177,045,000 available in 1990).

Need for change. A program reduction of $52,045,000 is proposed because the REA telephone borrowers have the financial capability to borrow from private financial institutions. Telephone service is readily available in the rural areas at reasonable cost to the consumer.

Nature of change. The level of direct Rural Telephone Bank loans will be reduced. Most RTB borrowers are able to qualify for loans at rates greater than 5 percent. Under a new program, REA will offer a 70-percent guarantee of telephone financing obtained from private credit markets.

SUMMARY OF INCREASES AND DECREASES - PROPOSED LEGISLATION

Item of Change	1991 Current Law	 Program Changes	 President's Request
Rural Telephone Bank:			
Direct Loans............	$125,000,000	--	$125,000,000
Guaranteed private-sector loans...........	--	+$200,000,000	200,000,000
Total.................	$125,000,000	$200,000,000	$325,000,000

EXPLANATION OF PROPOSED LEGISLATION

The Fiscal Year 1991 Budget proposal will allow rural telephone systems with an average subscriber density of three or fewer per mile access to obtain financing from the Rural Telephone Bank. Legislation will be proposed to change RTB interest rates such that the net charge to borrowers equals yields on Treasury rates of comparable maturity.

Proposed legislation will allow the Rural Telephone Bank to offer a 70-percent guarantee of privately-originated telephone loans. The proposal includes a loan origination fee of 1 percent on guaranteed loan commitments for deposit into the Bank to offset administrative costs and loan defaults. The upfront fee will increase by one-half of 1 percent each year, reaching 3 percent in 1995.

RURAL TELEPHONE BANK

Budget Authority, Obligations and Balances
(Dollars in thousands)

	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
Budget Authority:			
Borrowing Authority (P&F Schedule).....................	$77,355	$71,082	$42,666
Other Funds Available............	168,131	176,590	156,995
Less: Return on Class A stock....	-10,555	-11,267	-11,267
Total budgetary resources.....	234,931	236,405	188,394
Obligations:			
Loans approved.................	177,045	177,045	125,000
Expenses and C stock dividends..	57,886	59,360	63,394
Total.......................	234,931	236,405	188,394

Limitation on Authority to Borrow
(Dollars in thousands)

	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
A Stock.......................	$28,710	$28,710	--
B Stock.......................	126,398	47,094	$50,264
C Stock.......................	2,575	25	30
Retained earnings.............	-83,984	2,970	2,341
Total.......................	73,699	78,799	52,635
Statutory borrowing authority rate.............	x20	x20	x20
Maximum authority to borrow during year	1,473,980	1,575,980	1,052,700

Note: Computed in accordance with Section 407 of the Rural Electrification Act of 1936, as amended.

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Number and Amount of Rural Telephone Bank Loans by State, Fiscal Year 1989

	No.	Amount
UNITED STATES	28	$177,044,700
Alabama	1	87,150
Arizona	1	14,716,800
Arkansas	1	1,155,000
California	2	9,955,050
Illinois	1	1,803,900
Iowa	3	1,252,650
Kansas	1	1,648,500
Kentucky	2	7,964,250
Maine	1	244,650
Maryland	1	1,753,500
Michigan	1	20,260,800
Minnesota	4	6,053,250
New Hampshire	1	1,892,100
Ohio	1	507,150
Oklahoma	1	9,286,200
Pennsylvania	1	89,995,500
Washington	1	262,500
Wisconsin	4	8,205,750

RURAL ELECTRIFICATION ADMINISTRATION

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Purchase of Rural Telephone Bank Capital Stock

> [For the purchase of Class A stock of the Rural Telephone Bank, $28,710,000 to remain available until expended (7 U.S.C. 901-950 (b)).]

The change deletes the language authorizing purchase of capital stock. Since no appropriation is requested in fiscal year 1991 for purchase of Class A stock, retention of the language is unnecessary.

DEPARTMENT OF AGRICULTURE
RURAL ELECTRIFICATION ADMINISTRATION

Rural Telephone Bank

Purchase of Rural Telephone Bank Stock

Appropriation Act, 1990	$28,710,000
Budget Estimate, 1991	--
Decrease in appropriation	-28,710,000

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

Item of Change	1990 Estimated	Program Change	1991 Estimated
Purchase of Capital Stock	$28,710,000	-$28,710,000	--

Project Statement
(On basis of appropriation)

Project	1989 Actual	1990 Estimated	Decrease	1991 Estimated
Purchase of Capital Stock	$28,710,000	$28,710,000	-$28,710,000	--

EXPLANATION OF PROGRAM

The Rural Electrification Act of 1936, as amended, authorizes appropriations for the purchase of Class A stock in the Rural Telephone Bank by the U.S. Government. This account funds the purchase of Class A stock of the Rural Telephone Bank. The Federal Government has already provided $563 million in low cost capital to the Bank - $263 million over the $300 million in capital called for in the original statute establishing the Bank; therefore, no appropriation is requested in fiscal year 1991.

JUSTIFICATION OF DECREASE

A decrease of $28,710,000 for the purchase of capital stock.

Need for Change. This account funds the purchase of Class A stock of the Rural Telephone Bank and provides capital to the Bank. The stock is entitled to a cumulative return of 2 percent per annum. The continued purchases of Class A stock increase the financial burden on the public since the cost of Treasury borrowing is greater than the return earned on the Government's investment. The Bank has the authority to raise funds in private credit markets on its capital base. It is also authorized to borrow from the U.S. Treasury at a rate of interest equivalent to Treasury's cost of borrowing.

Nature of Change. No appropriation is requested for fiscal year 1991 for the purchase of capital stock.

RURAL TELEPHONE BANK

STATUS OF PROGRAM

The Rural Telephone Bank was established May 7, 1971, when Public Law 92-12 was enacted, amending the Rural Electrification Act of 1936, as amended. The Bank supplements the REA telephone loan program in providing rural telephone systems with capital for furnishing and improving telephone service in rural areas.

Lending Activity - During fiscal year 1989, the Rural Telephone Bank approved 28 loans, totaling $177,044,700. From the Bank's inception in May 1971, loans to 600 borrowers have been approved, totaling $2,525,809,488.

Sale of Stock - The government purchased $28.7 million of Class A stock for the Bank during fiscal year 1989, bringing the cumulative total of Class A stock purchases to $534.7 million. Bank borrowers purchased $4,955,025 in Class B stock during fiscal year 1989, bringing the net cumulative total through September 30, 1989, to $307,801,082. Class C stock cumulative through September 30, 1989, amounted to $9,362,000.

Interest and Retained Earnings - Retained earnings and patronage capital on October 1, 1988, totaled $135,655,497. In compliance with the Omnibus Budget Reconciliation Act of 1987, all retained earnings have been transferred to the Reserve for Interest Rate Fluctuations. In accordance with Resolution 86-4, amending Section 8.2 of the Bylaws, all amounts in the Reserve for Interest Rate Fluctuations in excess of $10 million were distributed in the form of Class B Stock. During fiscal year 1989, interest income totaled $129,882,978 of which $110,114,119 was from loans, $9,620,398 was from cash on deposit with the U.S. Treasury, and $57,071 from investments. Expenses incurred amounted to $76,502,367 for interest on funds borrowed from the U.S. Treasury. Expenses for directors' fees and travel, provision for possible losses, GAO audit fees, consultant fees, supplies, and miscellaneous expenses totaled $1,154,232. After deducting these costs from total income, the net income amounted to $52,226,379.

Management of the Rural Telephone Bank - The management of the Bank is vested in a board of directors consisting of 13 members. Two of the members, the REA Administrator and the Chairman of the Farm Credit System, are designated in the legislation establishing the Bank. Of the 11 other members, five are appointed by the President and six are elected by Bank borrowers.

General Administration - The Rural Telephone Bank's enabling legislation authorizes it to partially or jointly use the facilities and services of REA, or any other agency of the Department of Agriculture without cost.

The Bank's operations are conducted by REA employees who perform similar responsibilities under REA's rural telephone program. REA and the Department's Office of General Counsel provide administrative support to the Bank without reimbursement.

The RE Act requires that the Government-held stock of the RTB be retired "as soon as practical" after 1995. During FY 1989, the RTB contracted Kidder, Peabody and Company to develop and analyze policy options for the privatization of the RTB. Various policy options and recommendations were presented at the RTB Board meeting during August 1989.

Borrower Interest Rate - The Omnibus Budget Reconciliation Act (OBRA) of 1987 established a new method for setting interest rates for advances under loan commitments made on or after October 1, 1987. For each advance made during the fiscal year, the average yield on the date of advance on outstanding marketable obligations of the United States, having a final maturity comparable to the final maturity of the advance, will apply from the date of advance to the end of that fiscal year. After the fiscal year in which the advance is made, the Bank's cost of money is determined for that fiscal year and becomes the interest rate applied to the advance until it is repaid. By statutory provision, the interest rate on Rural Telephone Bank loans cannot be less than 5 percent.

The composite interest rate on Rural Telephone Bank loans outstanding on September 30, 1989, was 7.586 percent. The long-term interest rate on advances made during FY 1989 for loans approved after October 1, 1987, is 5 percent. This is according to the statutory cost of money determination for FY 1989.

RURAL ELECTRIFICATION ADMINISTRATION

The estimate includes appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Rural Communication Development Fund:

> To reimburse the Rural Communication Development Fund for interest subsidies and losses in making Community Antenna Television loans and loan guarantees under Sections 306 and 310B of the Consolidated Farm and Rural Development Act, as amended, [$1,329,000] $1,264,000.

DEPARTMENT OF AGRICULTURE
RURAL ELECTRIFICATION ADMINISTRATION

Rural Communication Development Fund

	Estimated Obligations for Interest Expense	Appropriation
Community Antenna Television:		
Interest:		
Appropriation Act, 1990	$2,616,000	$ 1,329,000
Budget Estimate, 1991	2,622,000	1,264,000
Change	+6,000	-65,000

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

Community Antenna Television:	1990 Estimated	Change	1991 Estimated
Appropriation for losses	$1,329,000	-$65,000	$1,264,000

An appropriation is requested in fiscal year 1991 to reimburse the fund for operating expenses which are not covered by annual collections of principal and interest.

PROJECT STATEMENT
(On basis of appropriation)

Project	1989 Actual	1990 Estimated	Increase	1991 Estimated
Interest expense..	$2,569,000	$2,616,000	+$6,000(1)	$2,622,000
Other funds available, net...	-1,122,000	-1,287,000	-71,000(2)	-1,358,000
Total Appropriation..	1,447,000	1,329,000	-65,000	1,264,000

EXPLANATION OF PROGRAM

The 1991 Budget does not propose a loan program since sufficient funding is available in the private sector. REA will continue to administer the existing program by making advances on previous loans and performing debt servicing.

JUSTIFICATION OF INCREASES AND DECREASES

(1) An increase of $6,000 for interest expense of the Rural Communication Development Fund ($2,616,000 estimated in 1990).

Need for Change. The increase of $6,000 is necessary because cash balances on deposit with the U.S. Treasury are estimated to decrease and reduce the amount of earned interest credit. Therefore, interest expense on Treasury borrowings will increase due to the reduced credit earnings.

Nature of Change. Interest expense will increase because of reduced cash balances which will decrease interest earned on these balances.

(2) A net change of $71,000 to reflect a decrease in appropriated funds required.

Need for Change. The need for budgetary resources is estimated to decrease by $71,000 for fiscal year 1991.

Nature of Change. The amount of appropriated funds needed is estimated to decrease as principal and interest repayments gradually cover more of the operating costs.

RURAL COMMUNICATION DEVELOPMENT FUND

STATUS OF PROGRAM

The Rural Communication Development Fund was established pursuant to Secretary's Memorandum No. 1988 approved May 22, 1979. This action transferred certain financing authorities under the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.) from the Farmers Home Administration to the Rural Electrification Administration for the purpose of financing and administering community antenna television (CATV) services to facilities in rural areas.

Lending Activity - Through 1989 cumulative insured or direct loans of $24.9 million and $11.1 million in guarantee commitments were approved. Principal outstanding on insured loans is $17.8 million.

Program - The White House Rural Development initiatives, issued in February 1979, announced that funding would be provided through USDA loan programs to help rural telephone systems and other eligible organizations to provide commercial television to rural residents. Since that time, it has been determined that sufficient capital is available from private sources to fund this program and no further lending has occurred. REA continues to administer the existing program.

RURAL ELECTRIFICATION ADMINISTRATION

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

SALARIES AND EXPENSES

For administrative expenses to carry out the provisions of the Rural
Electrification Act of 1936, as amended (7 U.S.C. 901- 950(b)), and
to administer the loan and loan guarantee programs for Community
Antenna Television facilities as authorized by the Consolidated Farm
and Rural Development Act (7 U.S.C. 1921 - 1995) and for which
1 commitments were made prior to fiscal year [1990], 1991 including not
to exceed $7,000 for financial credit reports, funds for employment
pursuant to the second sentence of section 706(a) of the Organic Act
of 1944 (7 U.S.C. 2225), and not to exceed $103,000 for employment
2 under 5 U.S.C. 3109, [$31,124,000:] $33,055,000. [Provided, That none
of the funds in this Act may be used to authorize the transfer of
3 funds to this account from the Rural Telephone Bank:] [Provided
4 further, that not less than $500,000 of this appropriation shall be
expended to provide community and economic development technical
assistance by Rural Electrificiation Administration employees to
rural electric and telephone systems, and that such technical
assistance program be made available within ninety days of enactment.]

[OFFICE OF THE ADMINISTRATOR]

[For necessary salaries and expenses of the Office of the
Administrator of the Rural Electrification Administration, $194,000:
Provided, That no other funds in this act shall be available for this
5 Office.]

The first change updates the fiscal year designation.

The second change updates the fiscal year appropriation which includes funds for the Office of the Administrator.

The third change deletes the provision in P.L. 101-161, Rural Development, Agriculture, and Related Agencies Appropriations Act, 1990, prohibiting the use of any funds in this Act to authorize the transfer of funds from the Rural Telephone Bank to the Salaries and Expenses account.

The fourth change deletes the provision in P.L. 101-161, Rural Development, Agriculture, and Related Agencies Appropriations Act, 1990, mandating technical assistance for community and economic development.

The fifth change deletes the provision in P.L. 101-161, Rural Development, Agriculture, and Related Agencies Appropriations Act, 1990, authorizing a separate appropriation for the Office of the Administrator, since funds for this office are requested in the Salaries and Expenses appropriation in Fiscal Year 1991.

DEPARTMENT OF AGRICULTURE
RURAL ELECTRIFICATION ADMINISTRATION

Salaries and Expenses

	Appropriation
Appropriation Act, 1990:	
Salaries and Expenses	$31,124,000
Office of the Administrator	194,000
Total, Appropriations, 1990	31,318,000
Budget Estimate, 1991	33,055,000
Increase in Appropriation	+ 1,737,000

SUMMARY OF INCREASES AND DECREASES
(on basis of appropriation)

	1990 Estimate	Pay Cost	Program Changes	1991 Estimate
Administration of Loan Programs	$31,318,000	+$624,000	+$1,113,000	$33,055,000

PROJECT STATEMENT
(On basis of appropriation)

Project	1989 Actual		1990 Estimated			1991 Estimated	
	Amount	Staff Years	Amount	Staff Years	Increase	Amount	Staff Years
1. Administration of rural electrification program:							
(a) Lending and Management Activities	$8,756,780	139	$8,840,000	142	+$549,000	$9,389,000	140
(b) Engineering Activities	7,887,326	147	7,967,000	148	+494,000	8,461,000	147
Total administration of electrification program	16,644,106	286	16,807,000	290	+1,043,000	17,850,000	287
2. Administration of rural telephone program:							
(a) Lending and Management Activities	7,448,893	120	7,588,000	121	+471,000	8,059,000	119
(b) Engineering Activities	6,596,307	126	6,729,000	126	+417,000	7,146,000	125
Total administration of telephone program	14,045,200	246	14,317,000	247	+888,000	15,205,000	244
3. Office of the Administrator	57,253	1	194,000	3	-194,000	--	--
Unobligated balance	537,441	--	--	--	--	--	--
Total available or estimated	31,284,000	533	31,318,000	540	+1,737,000	33,055,000	531

EXPLANATION OF PROGRAM

The appropriation "Salaries and Expenses" of the Rural Electrification Administration funds the activities authorized by the Rural Electrification Act, as amended. The Act authorizes REA to provide to qualified electric and telephone organizations capital through insured loans and guarantees of loans by other lenders for electric and telephone service in rural areas comparable in reliability and quality to the service provided the rest of the nation. REA is also authorized by section 313 to make zero-interest loans and grants to REA borrowers for the purpose of promoting rural economic development and job creation projects. In addition to administering programs for making loans, assurance of feasibility and adequate security and collections on loans, the REA staff furnishes management and technical assistance to borrowers for the purpose of protecting the Government's loan security, to assure that construction and operation of borrowers' systems conform to approved standards, and that the electric and telephone systems continue providing reliable service on an area coverage basis.

Applications, Loans, and Requisitions for Advances
(Dollars in thousands)

	Actual Fiscal Year 1989		Estimated Fiscal Year 1990			Estimated Fiscal Year 1991		
	Number	Amount	Number	Amount		Number	Amount	
Electric Program								
Applications received..	203	$1,063,187	239	$1,617,000		55	200,000	
Insured loans approved.	176	622,050	185	622,050		60	200,000	
Direct loans, FFB......	3	39,502	6	813,450		--	--	a/
Non-REA loans without guarantee	176	324,850	185	291,000		60	100,000	
Applications on hand, end of year...........	130	750,224	178	640,000	b/	173	540,000	
Advances processed (Insured Loans)......	976	713,022	925	635,000		885	536,000	
Telephone Program								
Applications received .	117	515,450	80	440,000		--	--	
Insured loans approved.	61	214,149	55	239,250		--	--	
RTB loans approved.....	28	177,045	33	177,045		25	125,000	
Direct loans, FFB......	--	--	1	119,625		--	--	a/
Applications on hand, completed	19	145,838	10	50,000		--	--	
Advances processed -								
REA borrowers.........	492	167,158	490	217,000		485	208,000	
RTB borrowers.........	135	97,047	170	120,000		175	124,000	

a/ Legislation will be proposed to finance this activity with private-sector loans. REA will guarantee $400,000,000 in electric distribution loans with a 70-percent guarantee and $700,000,000, in power supply loans with a 90-percent guarantee. Insured electric loans will be gradually phased out. All telephone loans will be shifted to the Rural Telephone Bank. REA will continue to review applications prior to providing a guarantee and provide management, technical, and engineering assistance to the borrowers.

b/ Applications on hand at the end of FY 1990 are estimated to total $640 million. Many of these borrowers will qualify for private-sector guarantees. Criteria to determine qualifications for private-sector guarantees will be issued after adoption of proposed legislation.

JUSTIFICATION OF INCREASES AND DECREASES

An increase of $1,737,000 for administration of rural electrification, rural telephone, community antenna television and rural economic development loan programs ($31,318,000 available in 1990), consisting of:

(a) An increase of $246,000 for the 1989 pay raise and $378,000 which represents 50 percent of the 1991 raise. The remaining 50 percent of the 1991 pay raise and the total 1990 pay raise are being absorbed.

(b) An additional $236,000 is included for inflationary costs of non-pay items.

(c) An increase of $877,000 for non-pay costs to allow the Agency to continue to provide the administrative support services required to carry out the REA loan programs at the anticipated authorized levels. The major items of increase include $250,000 to implement the new design of the accounting system, $100,000 for additional computer training and $268,000 for computer maintenance and purchase and support of a compact disk - read only memory for storing staff instructions, bulletins and forms.

An additional $259,000 will restore administrative support items to the 1989 level, considering inflationary costs. In 1990, it was necessary to reduce these items in order to fund the full absorption of a 3.6 percent pay increase. The Salaries and Expenses appropriation of $31,124,000 was the same in fiscal year 1989 and 1990 and was not adequate to fund the 550 staff years authorized.

MONDAY, MARCH 19, 1990.

FEDERAL CROP INSURANCE CORPORATION

WITNESSES

ROLAND R. VAUTOUR, UNDER SECRETARY FOR SMALL COMMUNITY AND RURAL DEVELOPMENT

DAVID W. GABRIEL, ACTING MANAGER, FEDERAL CROP INSURANCE CORPORATION

STEPHEN B. DEWHURST, BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

OPENING REMARKS

Mr. WHITTEN. We come today to the Federal Crop Insurance Corporation, with Mr. Vautour, on behalf of the Department and Mr. Gabriel, Acting Manager of the Federal Crop Insurance Corporation. We are indeed glad to have you before us.

As you know, we on this subcommittee have gone along with providing appropriations for this program even though we had the idea that this insurance program wouid not be actuarially sound.

It seems as though the funds primarily have gone to those who write the insurance and to the insurance companies.

I know you are raising questions yourselves as to the soundness of the insurance program. You still have people sending instructions about selling contracts; but you in turn are warning them that they sell policies at there own risk.

I don't know how closely you follow the situation here. The present Budget Act limits the total amount of money available to the Committee and that in turn is further limited under the Budget Act to the various agencies.

We are all operating under ceilings so I think you are wise to point out that the ceiling may be limits whether the contracts might be paid. By the same tone, as long as you point that out, as long as that is accurate, it raises a question to me whether the contracts should be signed to start with. The question then is whether you led them into this difficulty or whether you should withhold the funding. The ability to pay may be beyond our control under the existing Budget Act and Gramm-Rudman.

In addition to that I think it would be well to explore what you could do to recall the funds appropriated to the Crop Insurance Commission. I understand all they have to do now is write a letter every once in awhile calling attention to themselves. They are no longer taking any action, so I am advised.

I mention all this to start with.

Now, the Manager of the Federal Crop Insurance called me about a week ago and said he was retiring before he had to come down here. He didn't put the last part on that comment. We like him. We treated him nicely when he came down here. Maybe he disagrees with us. Maybe that is the reason he quit.

Be that as it may, the crop insurance program is something that has not worked. I would like for the record to show the number of contracts, how much money has been spent, and who got the money for the period we have had the new crop insurance program.

[The information follows:]

ADMINISTRATIVE AND OPERATING EXPENSE OBLIGATIONS
FISCAL YEARS 1981 THROUGH 1989
(DOLLARS IN THOUSANDS)

FISCAL YEAR	FCIC ADMINISTRATIVE	ASCS AGREEMENT	LOSS ADJUSTMENT EXPENSE	NUMBER OF MARKETING AGENCY CONTRACTS	MMA EXPENSE	NUMBER OF REINSUR AGENCY CONTRACTS	REINSURANCE EXPENSE	TOTAL A&O OBLIGATIONS
1981	54,789	2,960	236	unavail	27,658	17	6,318	91,961
1982	99,932	5,028	4,632	51	20,251	35	9,463	139,306
1983	56,972	5,215	7,558	55	25,958	46	36,603	131,306
1984	54,127	7,214	12,141	61	25,236	48	78,887	177,604
1985	51,781	16,911	10,317	68	17,711	50	102,838	199,608
1986	70,231	8,818	5,978	43	10,765	48	97,711	193,503
1987	50,861	3,242	6,143	32	12,700	44	97,148	169,894
1988	51,515	3,696	9,867	30	11,700	38	121,646	198,322
1989	57,182	6,026	8,583	23	20,800	29	267,621	349,122
Totals	547,190	58,099	65,455	363	172,778	354	807,084	1,650,616

WHITTABL:PH:4/5/90

SPECIFIC ACTIVITIES IN FCIC REVOLVING FUND
ACTUAL 1981 THROUGH 1989
(DOLLARS IN THOUSANDS)

FISCAL YEAR	FUND APPROPRIATION	FARMER-PAID PREMIUM	FEDERAL SUBSIDY EARNED	AMOUNTS BORROWED OR USED 1/	NUMBER OF INSURANCE CONTRACTS	TOTAL INDEMNITIES	A&O EXPENSES PAID BY FUND	FCIC FUND BALANCE
1981	0	332,197	46,996	250,000	418,631	407,266	34,212	140,719
1982	57,456	307,537	91,418	250,000	387,692	529,108	24,883	201,721
1983	115,576	228,007	64,559	150,000	314,401	583,744	0	111,559
1984	110,000	341,442	98,352	50,000	394,389	651,205	0	(38,204)
1985	110,000	346,092	100,068	163,000	415,207	682,076	0	(81,188)
1986	134,190	296,944	88,110	450,000	406,975	600,878	0	199,068
1987	135,743	270,936	87,621	300,000	472,251	408,436	0	317,611
1988	228,523	322,012	108,391	900,000	461,630	1,067,500	0	718,000
1989	112,000	579,950	186,441	400,000	941,641	1,320,665	147,130	342,166
Totals	1,003,487	3,025,117	871,976	2,913,000	4,212,817	6,248,877	206,225	

1/ Includes Capital Stock Issuance, Treasury borrowings and CCC transfers.

Note: Fiscal year data does not agree with crop year data.
WHITTABL:PH:4/5/90

Mr. WHITTEN. You might go ahead, Mr. Vautour.

Mrs. SMITH of Nebraska. Mr. Chairman, may I make a comment before I have to leave?

Mr. WHITTEN. I understood you to say you were going where the situation was worse? I thought you had already gone.

Mrs. SMITH of Nebraska. I told our great Chairman that FERC is causing me more trouble right now than I ever expected the Federal Crop Insurance to cause me in Nebraska.

I have to go over where that hearing is just starting. I did want to say, first, how much I appreciate, Mr. Vautour, you sending Mr. Gabriel to Scottsbluff, Nebraska.

Mr. Gabriel, I appreciate you coming to Scotts Bluff, Nebraska, where we are having a lot of concerns particularly because of the dry bean payment schedule.

We had, Mr. Chairman, the largest agricultural meeting we have had this year in that area. I invited people from the 16 western counties of my district. They appreciated the meeting. They were very, very supportive of it.

In the end, Mr. Gabriel asked them to vote as to whether they would prefer crop insurance. For example, they wanted it approved like we all do, whether they prefer it to a disaster payment program.

Of the 200 there, all but four said they would favor improving crop insurance and keeping it.

I happen to come from an area where we have particularly good salesmen and where it fits our area.

Sixty-eight percent of the people in Nebraska are enrolled in Federal Crop Insurance. Ninety-five percent of the wheat producers in my area are enrolled in it and have been for 49 years. So it has worked very well.

I know that it hasn't worked as well other places. We have some very real problems. I am very anxious for it to be improved.

With the Chairman's indulgence, I am going to go next door.

Mr. WHITTEN. I hope you get your problems worked out.

Mrs. SMITH of Nebraska. If I come back looking happy, you will know I gained something.

Mr. WHITTEN. You may proceed.

Mr. VAUTOUR. Thank you, Mr. Chairman.

As usual, it is a pleasure to be before you, Mr. Chairman. On behalf of the Federal Crop Insurance Corporation, I would like to outline essentially where we have been, where we are, and where we think we ought to go.

The Federal Crop Insurance Corporation is a wholly-owned government corporation that has been providing farmers with multiple-peril crop insurance since 1938.

The stated purpose of the Corporation is to promote the national welfare by improving the economic stability of agriculture through a sound system of crop insurance.

Our program legislation was amended in 1980 to provide for nationwide expansion of a comprehensive crop insurance program as a viable and realistic risk management tool.

In spite of $2 billion in premiums and administrative subsidies, repeated program changes and excess losses have added an additional $2 billion to program costs through the 1989 crop year.

Producers have spoken in the marketplace. They have rejected the product as inadequate, complicated and expensive.

During the 1980s, ad hoc disaster payments have averaged over $650 million per year.

Disasters in 1983, 1986, 1988, and 1989 spotlighted producer rejection of crop insurance and resulted in ad hoc disaster payments. Recent disaster benefits extend to virtually all agricultural commodities.

In 1988, Congress created the Commission for the Improvement of the Federal Crop Insurance Program to take an in-depth look and make recommendations. Earnest, thoughtful, and well-intended recommendations from the Commission would add more than $200 million to program costs, by its own estimates, for the improvements suggested.

The Department considers the Commission's estimates conservative. The poor performance of the existing program makes current costs excessive in any case.

We are proposing an alternative safety net for agriculture to the Congress, and we will work with the Congress to assure adequate protection for producers.

Because action on the Administration's proposal has not yet taken place, we are presenting budgets under both existing and proposed authority. Acting Manager David Gabriel of the Federal Crop Insurance Corporation will provide the details of the alternatives for the fiscal year 1991 budget.

With that, Mr. Chairman, I thank you for the opportunity.

At this point, I would turn it over to Mr. Gabriel.

Mr. **WHITTEN**. Mr. Vautour, may I say I received your report "Rural Economic Development for the 90's." I think it would be well to include some of the facts from the report in the record. They are very informative.

Perhaps not at this point, but in connection with your testimony.

Mr. Gabriel? We are not under section 11 of the Bankruptcy Act; are we?

Mr. **VAUTOUR**. Not yet, Mr. Chairman.

Mr. **WHITTEN**. Thank you, sir.

ACTING MANAGER'S OPENING REMARKS

Mr. **GABRIEL**. Mr. Chairman, members of the subcommittee, it is a pleasure for me to appear before you today to present the 1991 budget for the Federal Crop Insurance Corporation.

The Federal Crop Insurance Corporation is submitting for fiscal year 1991, budget proposals under existing legislation and under proposed legislation.

Under forthcoming proposed legislation, the Administration will propose the termination of the current program effective with the 1991 crops.

Mr. **WHITTEN**. That is the one you are signing up for at the present time? Or is that the future, starting October 1?

Mr. **GABRIEL**. Under the proposed 1991 budget, beginning this fall.

Mr. **WHITTEN**. This fall? Calendar year 1990?

Mr. **GABRIEL**. Crop year 1991.

Mr. **Whitten**. Please proceed.

Mr. **Gabriel**. Under proposed legislation, Federal funding will continue for the administrative and operating expenses of the program.

I will discuss, in detail, the budget request under existing legislation.

I will paraphrase for a moment some of my remarks.

To give you an update on the 1989 crop insurance experience, we have premium sales for 1989 of $815 million.

For 1990, it is too early to tell. We did have some price reductions. Premium is going to be in the neighborhood of $650 to $800 million.

We are estimating 1991 premiums to be $677 million. This is based on the FY 1990 premium level of $650 million plus inflation. We are projecting a 1.5 loss ratio.

Since 1980, the county expansion into new counties has gone from 1,676 to over 3,000 counties. County crop programs have increased from 4,629 in 1980 to 20,507 in 1989.

Crop insurance is available in all 50 states and in all agricultural counties on acreage previously covered by disaster payments.

Our insured acres have jumped from 26.6 million in 1980 to over 99 million in 1989. Insurance liability in force has increased from $3 billion in 1980 to $13.3 billion in 1989.

Premium jumped from $158 million in 1980 to the present $815 million in 1989.

The 1989 break out of actual business is, $724 million in premium from the reinsured companies and $91 million in premium from master marketers.

We estimate the indemnities for 1989 to be $1.1 billion on the reinsured side, and $139.5 million for the master marketers.

Now, I would like to go to the budget request under current legislation for administrative and operating expenses.

If we were to continue to offer crop insurance in 1991 under existing legislation, program costs would be in the neighborhood of $1 billion.

Mr. **Whitten**. Is that million or billion?

Mr. **Gabriel**. $1 billion.

Close to half of that amount, about $430 million, would go to cover administrative and operating expenses——

Mr. **Whitten**. Isn't that a little high? How much of that is commission? What is all for employees?

Mr. **Gabriel**. I will get into that as I go through. I believe I have that break out.

Of the $430 million, $218 million would be for commissions paid to private insurers who sell and service about 87.5 percent of the policies written and $24 million in commissions for sales and service expenses on Federal policies, which account for about 12.5 percent of the business.

Another third of that total, $900 million, would be required to pay excess losses, meaning that portion of indemnities not covered by producer-paid premiums plus subsidy. The need for these funds, which are transferred from the Commodity Credit Corporation, arises from the chronic actuarial unsoundness of the program.

A final $170 million, 20 percent of the total estimated cost, is required to cover the 25 percent subsidy of farmer premium.

In total, our fiscal year 1991 request for administrative and operating expenses represents an increase of $91.7 million over fiscal year 1990 appropriations. This increase is directly related to the premium level and provides for full funding of program expenses in the A&O account that were previously paid out of the Fund.

We will need $169.3 million for premium subsidy for fiscal year 1991. This amount represents 25 percent of the expected premium of $677 million, as authorized by the Federal Crop Insurance Act of 1980, as amended. The $677 million premium level would provide crop insurance to an estimated 81.1 million insured acres.

This represents an increase of $35.2 million over the fiscal year 1990 premium subsidy appropriation, which was based on a lower premium level projected at the time the 1990 budget was prepared.

In fiscal year 1990, the premium subsidy estimated to be required was $162.5 million with only $134.1 million requested and provided by appropriation.

The fiscal year 1990 unfunded portion will be financed out of the Funds' unearned excess premium subsidy account. In order to maintain a proper reserve in the Fund, it is necessary to obtain the subsidy by appropriation in fiscal year 1991.

A $117.4 million reimbursement to the FCIC Fund is necessary for administrative expenses incurred in fiscal year 1989, but not previously reimbursed.

Regarding the use of Commodity Credit Corporation funds, FCIC is currently reflecting the use of Commodity Credit Corporation funds in the amounts of $150 million in fiscal year 1990 and $300 million in fiscal year 1991 as a reserve against continued, unavoidable losses in crop years 1990 and 1991.

The total appropriation for fiscal year 1991 is $601.1 million for ongoing programs. This request is $215.5 million higher than the total 1990 contingency operations for ongoing programs. This request is necessary in order to maintain the financial stability of the Corporation.

In the fiscal year 1991 budget request under proposed legislation, the Administration proposes to terminate crop insurance sales effective with the 1991 crop year. In 1991, growers would be protected from catastrophic loss by a safety net provided by proposed permanent disaster assistance legislation.

Under the proposed budget, insurance sales would cease after the 1990 crop year. The budget authority requested for F.Y. 1991 includes sufficient funding to maintain staff years at the current level of 865 through fiscal year 1991. The outlays for fiscal year 1991 will be limited to $450 million to cover prior year obligations and 1991 administrative costs.

This concludes my statement. We will be glad to answer any questions or furnish any additional information that you may desire.

[CLERK'S NOTE.—Biographical sketches appear on page 518. Mr. Gabriel's written testimony appears on pages 519 through 525. The Federal Crop Insurance Corporation explanatory notes appears on pages 526 through 587.]

Mr. **Whitten**. We appreciate your appearance. We appreciate you and the insurance business working for the farmers and those engaged in agriculture. Our efforts on this side of the table have been to keep these things going.

As I mentioned many times, I don't speak for the other members of the committee, but they have acted as I have. We tried periodically to get the Department to use the law that is still on the books so those engaged in agriculture will get a fair price for his product from the buyer.

I have reviewed the record many times here and it shows where for 48 years the farmer received his money from the buyer. Farmers prospered and they did so because they were assured a support price to pay for purchases and loans; just like labor gets the minimum wage and the rights of labor unions to increase their salaries in connection with what the cost of living is.

Industry under our law sells for what the traffic will bear. The public pays the price, but you don't call that subsidy.

They have the price support program to where those engaged in agriculture receive a support price for basic or storable commodities that is below the cost to produce and they in turn have to look to the government for a check.

Since they started the new price support program about 10 years ago, the cost has been something like $140 billion to the Federal Treasury; whereas for 48 years before that, the cost was less than $70 billion.

But the CCC law is still there, along with section 32. That is section 32 of the AAA Act, where 30 percent of import duties may be used to support prices for perishable commodities and to pay the difference in export. Having been here a long time, I point out regularly—for it is a matter of record—that foreign countries do the same kind of thing we do except in a different format. Here, we support the price to offset these American costs. For years, we sold it low compared to the rest of the world, by using the Commodity Credit Corporation. Other countries in turn pay the price at the world price and then tax their people to offset costs. It is one and the same thing.

I have met with them throughout Europe at various times pointing this out. They holler bloody murder if you say what they do is the same thing as what we do.

I would like to put in the record some facts concerning the course for 10 years. We've had about 800 banks go broke. We've had over 300,000 farmers go broke. I can understand why the administration came up with this idea that if you just cut taxes that people will invest it wisely. That was in 1981.

We put into the record just what the income to the U.S. Treasury would have been if we hadn't had the 1981 Tax Act. It would have saved half the present deficit.

On this committee we have been responsible for having to bail out many of the countries problems. The PIK program, ridiculous. We paid people not to produce at a time when 115 countries in the world were short on food and clothing.

The program went ahead. When it was finished, we had to spend $12 or $13 billion. We had to do it or the farmer would have gone broke. We did our best to get the department to use the program that was sound for 48 years. We have been unable to do it.

We have babied the insurance program along, trying to make it workable. What they did seven or eight years ago, was insist that you insure the sick farmers, those who had high risks.

After 10 years of effort you have acknowledged what we pointed out from the beginning. Any insurance company, any insurance corporation or any government that is in the insurance business, is going to have to have a program that is actuarially sound or you will raid the Federal Treasury.

We have pointed out many times that Gramm-Rudman exempts CCC so it can support prices, so it can sell.

Between us there has been misuse and unuse of CCC for its stated purpose and it has been misused for other purposes.

When I say misused, I don't mean it is illegal. But it is used beyond what the intent of the Congress was. So we are faced here with reality.

I want to compliment you for facing up to it. But we are going to need your help now because I don't think you can afford, and we can not afford, to let you ask people to sign up for policies and then say, "Where you are going to get your money, because I don't know."

I could tell you we will try to get it but that may not work. We are operating under Gramm-Rudman. We are operating under the Budget Act. We are going to have a limit imposed on the whole department. If you fund a program over here, we will have to offset it somewhere else.

We have a bad situation here.

Now, the other thing is, which some people don't seem to realize, is that agriculture is still as big as it ever was. We just don't have the same number of people in farming nor the same number of Congressmen who know the subject. It is the biggest employer. It is the countries biggest dollar collector in world trade, as long as we use it.

So we are faced with a real difficult situation.

I want to compliment you on laying it on the line. What you can do, what we can do, I don't know.

I have been reading up on history. If we keep going the way we are going we will be like some of the city-states of the past. They forgot that agriculture supported them and when they let agriculture go down, the whole country went. It looks to me like our country is on that very road.

I am not pointing a finger at anybody. I just am saying we have a bad policy when we do not use the law that lets you take care of agriculture. That law is still on the books as I understand it.

I want to compliment you, again, for laying this insurance story on the line.

COMMODITY CREDIT CORPORATION FUND

Mr. WHITTEN. Mr. Gabriel, you state that FCIC is currently requesting the use of Commodity Credit Corporation funds in the amount of $150 million in fiscal year 1990 and $300 million in fiscal year 1991. Please provide a ten-year table reflecting your budget projections for borrowing from CCC for each fiscal year and the total amount actually borrowed.

[The information follows:]

FCIC USE OF CCC FUNDS

[In millions of dollars]

	Projected amount	Actual amount
Fiscal year:		
1982	0	0
1983	0	0
1984	0	0
1985	0	0
1986	0	450
1987	0	300
1988	200	900
1989	100	400
1990	150	150
1991	300	[1] 300
Total	750	2,500

[1] This amount is based on existing legislation.

LANGUAGE IN FEDERAL REGISTER

Mr. **Whitten**. As we have already discussed, a few weeks ago FCIC printed in the Federal Register, a notice that all crop insurance policies were "subject to appropriations." As with all government contracts, that is always true. Why wasn't the statement "subject to availability of funds" included on all contracts before?

Mr. **Gabriel**. The FCIC has always included the "subject to the availability of funds" language in its contracts and agreements with sales and service contractors and reinsured companies. It was not included in producer policies, although FCIC has always understood that any policy or contract could be terminated for lack of funds.

Mr. **Whitten**. Why did you decide to publish this statement at this time?

Mr. **Gabriel**. The FCIC chose to publish an endorsement for the Texas citrus insurance policies due to the uncertainty regarding Congressional action on the President's 1991 Budget request, and the fact that public awareness of the budget proposal created questions in the public mind. While such questions are not answered by the endorsement published, the reality of the reliance of policies and contracts on the availability of funds alerts producers to the unusual circumstances surrounding the crop insurance program at this time.

Mr. **Whitten**. Many insurance policies for crops, such as citrus and winter wheat, will be sold or renewed soon. What impact does your statement "subject to availability of funds" have on these policies?

Mr. **Gabriel**. The endorsement published for Texas citrus policies will be published for each crop policy as the contract change date is reached without Congressional action indicating a future course for crop insurance policies as currently constructed. The statement has the effect of alerting producers that, while FCIC continues to conduct business in the absence of Congressional direction to the contrary, it is possible that acceptance of the President's Budget for 1991 would fail to provide funding for new or renewed crop policies in the 1991 crop year.

Mr. WHITTEN. What is the difference between policies sold this year versus these sold last year?

Mr. GABRIEL. The major difference between sales for 1990 and 1991 is that the FCIC is alerting producers to a fact that has always been the case. Contracts with the government, or dependent on government funds, are subject to the appropriations process.

ESTIMATE OF SALES FOR 1991

Mr. WHITTEN. The budget request for the Federal Crop Insurance Corporation for fiscal year 1991 is based on current law while, in effect, you have also requested that the program be terminated effective October 1, 1990. There are certain policies that will be sold during fiscal year 1990 that would affect the fiscal year 1991 crop insurance operations, particularly those such as winter wheat. Please provide us with your estimates of all business to be sold prior to the beginning of the 1991 fiscal year.

Mr. GABRIEL. All crop insurance policies are on a continuous basis. The total estimated premium for the 1990 fiscal year is $650 million. In a bulletin dated February 27, 1990, FCIC, through the companies and contractors, notified all policyholders that policies will be effective for crop year 1991 only upon the availability of funds. Reinsured companies were advised that reinsured policies may be continued or sold at the company's risk of non-availability of Federal reimbursement to all policies. Liabilities for new policies may occur at the time they are sold. Wheat, barley, oats, rye, Florida tomatoes, pepper, citrus, citrus trees, sugar cane, California sugar beets, and Florida sweet corn are policies that are sold prior to the beginning of the 1991 fiscal year. These crops represent an estimated $95 million in premium and $1.5 billion in liability.

PHASE-OUT COSTS TO COVER BUSINESS COSTS

Mr. WHITTEN. What costs would FCIC assume to phase out the remainder of its business during fiscal year 1991 and continue to cover those policies sold prior to the beginning of the fiscal year?

Mr. GABRIEL. The reinsured companies will sell about $79.3 million of the $95 million in premium, and the master marketing contractors will sell the remaining $15.7 million in premium. I will provide for the record a table showing the amount of funding needed to cover the administrative and operating overhead related to those sales.

[The information follows:]

Funding requirements for crop year 1991 policies sold in fiscal year 1990

[In millions of dollars]

Administrative and operating costs:	
Reinsuranced expenses	29.4

Master marketing expenses	4.4
Total administrative and operating costs	33.8
Federal Crop Insurance Fund:	
Premium Subsidy	24.0
Funds to cover excess losses (CCC)	48.5
Total FCIC fund	72.5
Total funding	106.3

LOWER LEVEL OF BUSINESS FOR 1990

Mr. WHITTEN. Your estimated level for fiscal year 1990 in terms of book of business is considerably less than fiscal year 1989. Is this projected drop because the Disaster Assistance Bill required certain individuals participating in the program to purchase insurance during fiscal year 1989 and they no longer considered it necessary and dropped from the program during fiscal year 1990? Please explain in some detail your drop in projected levels of insurance for fiscal year 1990.

Mr. GABRIEL. The book of business for fiscal year 1990 is estimated to be lower than the fiscal year 1989 book of business for several reasons.

First, fiscal year 1989 insurance was impelled by the severe drought in 1988. In fiscal year 1990, the 1988 drought scare will wear off, resulting in fewer sales.

Secondly, in fiscal year 1989, the farmer was required to buy isurance in order to qualify for certain levels of disaster coverage. This mandatory coverage is not applicable to as many producers in fiscal year 1990.

Finally, the coverage per acre available to the producer is estimated to go down, due to slightly lower price elections for major grain crops, resulting in less premium.

REINSURANCE COMPANY AGREEMENTS GAINS/LOSSES

Mr. WHITTEN. For the record, please provide us with a list of the currently active reinsurance company agreements and indicate which ones had a gain and which ones had losses under the gain/loss provisions during reinsurance year 1989.

[The information follows:]

Net gain (loss) for reinsurance company agreements crop year 1989

Company:	*Net gain (loss)*
Allied Crop Agency, Inc	$433,154.38
AG Hail Insurance Co	277,385.53
American Hail Management, Inc	(2,625.00)
Graham Neville & Associates, Inc	14,291.40
Blakely Crop Hail, Inc	387,161.64
Farmers Mutual Hail Insurance	170,273.88
Crop Hail Management	2,888,093.44
The Continental Insurance Co	1,130,097.94
Cotton States Mutual Ins. Co	(28,488.00)
Dornberger/Berry & Co	1,606,072.17
Dawson Hail Insurance Co	1,158,955.35
Empire Fire & Marine	3,626,365.40
Florists Mutual Insurance Co	15,867.92
Grinnell Mutual Reinsurance Co	374,753.45
Hartford Casualty Insurance Co	91,319.16

Homestead	(56,168.00)
Home Farmers Mutual	173,380.49
IGF Insurance Co	1,750,582.74
Producers Lloyds	49,915.88
CIGNA (Rain and Hail)	8,842,954.00
Redland	2,723,515.76
Grange Insurance Association	(16,244.00)
Agriservice (Rockford)	63,682.45
Prairie States (Stroud)	1,609,361.69
FB Insurance Co. of Virginia	66,407.70
Alliance Insurance	731,789.94
Great American Insurance Co	2,442,412.33
American Agricultural Insurance	2,089,049.96
Total net gain	32,613,319.60

DISTRIBUTION OF PROFITS AND LOSSES

Mr. WHITTEN. For the record, please provide a table displaying how profits and losses were distributed between FCIC and reinsurance companies for the last five years.

[The information follows:]

	Gross premium	Gross losses	Gross gain (+)/loss (−)	Gain (+)/loss (−) paid to companies	FCIC share
Year:					
1985	313,803,250	471,889,973	−158,086,723	3,345,977	−161,432,700
1986	306,442,605	496,081,980	−189,639,375	8,036,789	−197,676,164
1987	303,369,004	302,953,676	415,328	17,044,358	−16,629,030
1988	373,628,690	905,719,207	−532,090,517	−7,883,943	−524,206,574
1989	719,295,220	1,004,380,271	−285,085,051	29,954,193	−315,039,244

CURRENT MASTER MARKETING AGREEMENTS

Mr. WHITTEN. Please provide a list of the currently active Master Marketing Agreements.

[The information follows:]

ACTIVE MASTER MARKETING AGREEMENTS

AgriRisk Management, Inc.
P.O. Box 27
Lexington, NE 68850

Cal-Ag Insurance Service, Inc.
P.O. Box 13428
Sacramento, CA 95813-3428

Crop Hail Management
P.O. Box 1059
Great Falls, MT 59403

Crop Insurance Agency, Inc.
1201 East Church Street
Booneville, MS 38829

Farm Risk Mgmt. Specialists, Inc.
P.O. Box 88
Butler, MO 64730

Farmers All Risk Crop Ins. Agency
4412 74th Street, Suite C102
Lubbock, TX 79424

Federal Crop Company
758 Second Street
Chappell, NE 69129

Fred S. James & Co. of Florida, Inc.
P.O. Box 413003
Naples, FL 33940

IGF Insurance Company
2882 106th Street
Des Moines, IA 50322

Keystate/Tri-States Associates, Inc.
P.O. Box 676
Robinson, IL 62454

LongView Crop Ins. Agency, Inc.
2165 Ninth Street
Greeley, CO 80631

Maine Mutual Fire Ins. Co.
P.O. Box 729
Presque Isle, ME 04769

Mark General Agency, Inc.
1454 30th Street, Suite 108
West Des Moines, IA

National Assn. of Crop Ins. Agents
3501 Thurston Avenue
Anoka, MN 55303

National Crop Protection, Inc.
114 Single Drive
North Syracuse, NY 13212

Northern Crop Insurance, Inc.
P.O. Box Drawer C
Williston, ND 58801

Shelby Crop Insurance Corp.
RR 9, Box 132A
Greensburg, IN 47240

Southwest Crop Ins. Agency, Inc.
P.O. Box 225
Honey Grove, TX 75446

Stroud Crop, Inc.
P.O. Box 628
Weatherford, OK 73096

United Agents Crop Ins. Agency, Inc.
P.O. Drawer 208
Lambert, MS 38643

COLLECTION FOR OVERPAYMENTS

Mr. WHITTEN. Last year Mr. Marshall testified that $1,806,000 in overpayments on insurance claims had been determined as producer or agent fraud. What is the status of collections of return of these funds?

Mr. GABRIEL. The question is somewhat more complex than one would initially perceive. Several years ago, the Office of the Inspector General performed a validation audit of our operation, OIG Audit 05608–2–TE. At the completion of this audit and review by FCIC, it was determined that $4,934,850 was owed to FCIC. Part of this sum included honest mistakes made by reinsured companies; other cases involved alleged producer and/or agent fraud.

I will provide for the record the current status of the actions taken to date.

[The information follows:]

Type of action	Number of audits and policies	OIG audit amount	FCIC demands and collections
Audits resolved, funds collected	51/71	$836,567	[1] $312,223
Appeals denied or resolved, final demand issued, funds in the process of being collected	8/14	351,338	[2] 342,752
Appeal rejected, decision under development	1/1	22,012	Unknown
Company has appealed or is challenging the appeal decision	3/3	1,182,032	[3] 698,066
Under OIG investigation or turned over to the U.S. attorney	20/25	1,817,935	[1] 215,695
Referred from OIG investigations for FCIC action	3/3	510,328	Unknown
Appeals rejected, funds demanded and company filing suit against FCIC (no funds available for offset)	5/7	214,638	198,116
Total	91/124	4,934,850	[4] 1,766,852

[1] Funds collected.

[2] Funds in the process of being collected.

[3] Funds demanded but not collected.

[4] Does not include unknowns.

FEDERAL CROP INSURANCE COMMISSION

Mr. WHITTEN. The Federal Crop Insurance Commission Act of 1988 established a commission to make recommendations for improvement in the Federal crop insurance program. It completed this task last summer. What Federal funds have been expended to date by the Commission?

Mr. GABRIEL. According to the Commissions' figures, they have expended to date $606,459 for 1989 and $225,569 so far for 1990, for a total of $832,028.

Mr. WHITTEN. At last year's hearing you were unable to provide us with a budget request or forecast for the Commisssion. Has FCIC or USDA received a budget justification yet for the rest of the Commission's time? If so, please submit it for the record.

Mr. GABRIEL. Yes, we have received a report on the status of the Commission's work for fiscal year 1990 which includes expenditures to date through 1990 and their projected expenditures for fiscal year 1991. I will furnish for the record a copy of this report along with a copy of a letter addressed to John Amey of OFM, which gives some indication of their plans for meetings in 1990.

[The information follows:]

March 26, 1990

	APPROVED BUDGET	FY'89	FY'90 expenditures to date	FY'90 estimate	FY'91 estimate	Total	Difference
Personnel							
Executive Director	195280.00						
Staff Researcher	93200.00						
Admin. Asst.	97600.00						
Clerk Word Processor	53640.00						
Clerk part time	18300.00						
Sub Total	457960.00	161239.16	106284.22	257049.12	120643.92	538932.20	80972.20
Consultants	260000.00	157486.99	59152.25	82010.41	20502.60	260000.00	0.00
Office Operations							
Rent	83200.00	30658.75	25323.00	47196.00	12609.00	90463.75	7263.75
Phones	12000.00	4127.65	3454.89	6000.00	1500.00	11627.65	-372.35
Supplies	19200.00	2168.90	2577.36	4578.59	813.34	7560.83	-11639.17
Xeroxing	12000.00	14390.67	1064.33	12000.00	0.00	26390.67	14390.67
Furniture Rental	24000.00	9059.23		400.00	100.00	9559.23	-14440.77
Equipment Rental	18000.00	20014.51	671.11	1000.00	250.00	21264.51	3264.51
Miscellaneous							
Local Transportation		402.16	319.58	603.24	150.81	1156.21	1156.21
Postage		468.65	300.00	702.98	175.74	1347.37	1347.37
Special Mail		3583.64	1421.55	5375.46	1343.87	10302.97	10302.97
FCIC		25666.22		0.00	0.00	25666.22	25666.22
Travel							
Commission Meetings	375000.00	125744.09	22770.98	130000.00	26000.00	281744.09	-93255.91
Field Hearings	100000.00	38650.74		0.00	0.00	38650.74	-61349.26
Commission Meeting Rooms	3000.00	3350.90	1450.00	3000.00	600.00	6950.90	3950.90
Hearing Rooms/Equipment	5000.00	4237.10		0.00	0.00	4237.10	-762.90
Court Reporter	2500.00	19272.55	1597.50	9000.00	3000.00	31272.55	28772.55
Miscellaneous Travel		5934.87	2643.05	6000.00	2000.00	13934.87	13934.87
Sub-Total	1351840.00	606458.78	275569.82	564913.80	189689.78	1361061.86	9221.86
Reserve	148160.00					138938.14	
TOTAL	1500000.00					1500000.00	

COMMISSION FOR THE IMPROVEMENT
OF THE
FEDERAL CROP INSURANCE PROGRAM

DATE: March 19, 1990

TO: John Amey
United States Department of Agriculture

FROM: Kellye A. Eversole
Executive Director

SUBJECT: Request from Chairman Jamie L. Whitten on the Status of the Commission's Work for FY 1990

The Commission currently has one vacancy. M.K. "Mike" Felt who was one of four Commission members representing the largest firms selling crop insurance, resigned from the Commission effective July 11, 1989. (John Marshall, who was a Commissioner by virtue of being the manager of the Federal Crop Insurance Corporation, resigned from his position as manager effective March 10, 1990. Mr. Marshall has been succeeded by David W. Gabriel, who was named the acting manager of the FCIC, by the Secretary of Agriculture.)

There have been two Commission meetings during the current fiscal year: December 11-12, 1989, in Washington, D.C.; and February 23-24, 1990, in Tucson, Arizona. Five additional meetings are tentatively scheduled to be held in Washington during the remainder of fiscal year 1990 as follows: April 4, 1990; May 1990 (the exact date is yet to be determined); June 26-27, 1990; July 31-August 1, 1990; and September 26-27, 1990.

Please be advised that the Co-Chairmen have testified on the Commission's recommendations at two congressional hearings, as follows: (1) hearing before the Subcommittee on Conservation, Credit, and Rural Development, Committee on Agriculture, United States House of Representatives: September 20, 1989; and (2) hearing before the Subcommittee on Agricultural Production and Stabilization of Prices, Committee on Agriculture, Nutrition, and Forestry, United States Senate: March 6, 1990.

Per your conversation with Rhonda Taylor, the total current obligations of the Commission are approximately $850,000. Enclosed are (1) a copy of the Act establishing the Commission, and (2) a listing of the Commission's membership.

If you need any additional information, please call me or Rhonda Taylor.

Enclosures

1255 23RD STREET N.W., SUITE 880, WASHINGTON, D.C. 20037
TELEPHONE (202) 887-6700 FAX (202) 887-0149

ADVERTISING AND MARKETING EXPENDITURES

Mr. **Whitten**. Since fiscal year 1985, a considerable amount of Corporation funds have been used to market Federal crop insurnace. For the record, please provide a table showing the amount for the past five years, including your fiscal year 1991 request that will be used for advertising and marketing crop insurance nationwide.

Mr. **Gabriel**. The FCIC goal under existing legislation for fiscal year 1991 is to market crop insurance on an industry-wide basis as partners with the sales and service contractors and reinsured companies. Typical marketing expenditures for insurance companies average between three percent and five percent of premium income; however, the Arthur Andersen study found that the crop insurance private sector currently spends less than one percent of premium on marketing activities.

The FCIC proposal for fiscal year 1991 is to contract with a full-service advertising agency to conduct all aspects of a national advertising campaign. The FCIC marketing plan is to initially double the Federal budget allocation for marketing to $2,000,000 in fiscal year 1991, and then systematically withdraw all FCIC support over 3 years, phasing down to $1,500,000 in fiscal year 1992 and $500,000 in fiscal year 1993, while the private sector is encouraged to simultaneously assume increasing marketing responsibilities. As a result of this predetermined withdrawal schedule, within 3 years FCIC will cease making any marketing expenditures resulting in a totally private marketing effort.

I will provide for the record a table that shows marketing expenditures since 1985.

[The information follows:]

Marketing expenditures for Federal Crop Insurance

Fiscal year:	*Expenditures*
1985	$495,595
1986	749,181
1987	847,382
1988	961,268
1989	1,005,481
1990	1,005,481

REIMBURSEMENT TO REINSURED COMPANIES/FCIC A&O COSTS

Mr. **Whitten**. For the record, please provide a table showing from 1981 through 1991 the reimbursement to reinsured companies and the total FCIC operating and administratve costs.

[The information follows:]

FCIC ADMINISTRATIVE AND OPERATING EXPENSES

[In thousands of dollars]

	Reinsured companies reimbursement	FCIC operating and administrative costs	Total administrative costs
Fiscal year			
1981	$6,318	$85,633	$91,951
1982	9,463	129,843	139,306
1983	35,603	95,703	131,306
1984	78,387	98,727	177,654

FCIC ADMINISTRATIVE AND OPERATING EXPENSES—Continued

[In thousands of dollars]

	Reinsured companies reimbursement	FCIC operating and administrative costs	Total administrative costs
1985	102,888	97,320	199,608
1986	97,711	95,792	193,503
1987	97,148	72,746	169,894
1988	121,545	76,777	198,322
1989 estimate	257,521	91,602	349,122
1990 estimate	209,235	89,664	298,899
1991 estimate	218,023	96,406	314,429
Total	1,234,342	1,030,213	2,263,944

LOCATION AND FTE'S FOR FIELD OFFICES

Mr. WHITTEN. For the record, please provide a list of locations and FTEs for all field operating offices, field underwriting offices and compliance offices.

[The information follows:]

LOCATION OF FIELD OFFICES

	PFT	Other	Total FTE
Field Service Office:			
Billings, MT	17	8	25
Bismarck, ND	13	7	20
College Station, TX	17	9	26
Columbia, SC	18	7	25
Des Moines, IA	17	8	25
Harrisburg, PA	11	4	15
Indianapolis, IN	13	6	19
Jackson, MS	15	6	21
Lincoln, NE	15	7	22
Manhattan, KS	15	7	22
Nashville, TN	16	7	23
Raleigh, NC	13	6	19
Sacramento, CA	9	4	13
Spokane, WA	10	4	14
Springfield, IL	11	6	17
St. Paul, MN	12	7	19
Total	222	103	325
Field Underwriting Office:			
Billings, MT	10	7	17
Harrisburg, PA	7	2	9
Jackson, MS	9	2	11
Oklahoma City, OK	9	4	13
Raleigh, NC	9	3	12
Sacramento, CA	8	1	9
Spokane, WA	7	2	9
Springfield, IL	9	7	16
St. Paul, MN	11	2	13
Topeka, KS	10	4	14
Valdosta, GA	9	4	13
Total	98	38	136

LOCATION OF FIELD OFFICES—Continued

	PFT	Other	Total FTE
Compliance Field Office:			
Dallas, TX	15	0	15
Kansas City, MO	18	1	19
Raleigh, NC	16	1	17
Sacramento, CA	10	1	11
St. Paul, MN	14	1	15
Total	73	4	77

STANDARDIZED TRAINING FOR REINSURED COMPANIES

Mr. WHITTEN. Over the years there have been several investigations and studies done concerning the crop insurance program. Several of them have cited a lack of standardized training procedures for reinsurance agents as constituting a problem. Last year Mr. Marshall stated that FCIC was in the process of developing sanctions for companies which have not developed and implemented adequate agent training packages. Would you please bring us up to date on these particular sanctions and what FCIC has done to standardize training for reinsurance companies?

Mr. GABRIEL. FCIC has issued a Mandatory Amendment No. 8 of the Standard Reinsurance Agreement to all reinsured companies for the 1991 reinsurance year. This amendment included an issuance by FCIC of minimum standards and objectives for training of agents and loss adjusters. Adherence to these standards will be monitored by account executives from the Reinsurance Contract Division during the training process, and verified as part of routine compliance reviews by the office of the Assistant Manager for Compliance. The training standards are a part of overall performance standards reinsured companies are evaluated against. These standards are being tested in a pilot review and assessment program during the current contract year with positive results. Sanctions range from company suspension or debarrment to retraining with FCIC direct involvement at costs assumed by the company.

LIST OF CROPS ON WHICH CROP INSURANCE IS OFFERED

Mr. WHITTEN. For the record, please provide a list of all crops on which crop insurance is now offered.

[The information follows:]

CROPS INSURED FOR CROP YEAR 1990

ALMONDS
APPLES
BARLEY
CANNING BEANS
CITRUS
CITRUS TREE
CORN
COTTON
COTTON, ELS
CRANBERRIES
DRY BEANS
DRY PEAS
FIGS
FLAX
FORAGE PRODUCTION
FORAGE SEEDING
FRESH SWEET CORN
FRESH TOMATOES
GRAIN SORGHUM
GRAPES
GREEN PEAS
HYBRID CORN SEED
HYBRID SORGHUM SEED
MACADAMIA NUTS
MACADAMIA TREES
* NURSERY STOCK
OATS
ONIONS
PEACHES
PEANUTS
PEARS
PEPPERS
POPCORN
POTATOES
PRUNES
RAISINS
RICE
RYE
SAFFLOWER
SOYBEANS
STONEFRUIT
SUGAR BEETS
SUGARCANE
SUNFLOWERS
SWEET CORN
TABLE GRAPES
TOBACCO
TOMATOES
WALNUTS
WHEAT

*Nursery Stock is available in all states and counties except Alaska and Hawaii.

CORPORATION EXPERIENCE

Mr. WHITTEN. For the record, please provide a table that shows the ratio of losses for FCIC and reinsured companies to the units insured and average losses for fiscal years 1981 through 1989.

[The information follows:]

FEDERAL CROP INSURANCE CORPORATION SUMMARY OF EXPERIENCE

[Dollars in thousands]

Crop year	Units	Premium	Losses	Loss ratio	Average losses/unit
FCIC					
1981	849,827	$366,361	$398,751	1.09	$469
1982	674,568	320,659	458,460	1.43	680
1983	428,985	184,108	404,867	2.20	944
1984	381,886	175,984	257,680	1.46	675
1985	273,377	117,659	209,908	1.78	768
1986	200,341	77,051	120,651	1.57	602
1987	177,261	60,941	68,189	1.12	385
1988	164,383	63,991	153,394	2.40	933
1989 estimate	204,585	104,000	176,800	1.70	864
Total	3,355,213	1,470,754	2,248,700	1.53	670
REINSURANCE					
1981	24,645	12,808	9,350	.073	379
1982	178,401	78,012	69,699	0.89	391
1983	214,545	107,245	182,825	1.70	852
1984	457,543	259,998	385,392	1.48	842
1985	601,207	322,332	472,786	1.47	786
1986	652,959	304,052	[illegible]94,910	1.63	758
1987	722,815	305,699	300,972	0.98	416
1988	864,806	373,663	900,381	2.41	1,041
1989 estimate	1,632,369	696,000	1,183,200	1.70	725
Total	5,349,290	2,459,809	3,999,515	1.63	748

TOTAL FEDERAL COST AND EXPOSURE

Mr. WHITTEN. Please provide for the record a table showing total Federal cost and exposure for each of the past ten years and estimates for fiscal years 1990 and 1991. Included in that table should be any transfers made from CCC or borrowings from the Treasury needed to cover Federal costs.

[The information follows:]

TOTAL FEDERAL COST AND EXPOSURE

[Dollars in thousands]

	Administrative and operating expenses	Net FCIC fund cost	Total Federal cost	Amount of insurance protection	Percent of cost to insurance protection
Fiscal year:					
1980	$28,015	$186,156	$214,171	$3,018,320	7.1
1981	91,951	75,069	167,020	5,982,033	2.8
1982	139,306	221,571	360,877	6,133,354	5.9
1983	131,306	355,737	487,043	4,405,594	11.1
1984	177,604	309,763	487,367	6,659,161	7.3

TOTAL FEDERAL COST AND EXPOSURE—Continued

[Dollars in thousands]

	Administrative and operating expenses	Net FCIC fund cost	Total Federal cost	Amount of insurance protection	Percent of cost to insurance protection
1985	199,608	315,984	515,592	7,172,547	7.2
1986	193,503	303,934	497,437	6,232,464	8.0
1987	169,894	135,499	305,393	6,134,854	5.0
1988	198,322	765,488	963,810	6,992,087	13.8
1989	349,122	740,715	1,089,837	13,079,650	8.3
1990 estimate	298,899	494,436	793,335	10,627,216	7.5
1991 estimate	314,429	508,264	822,693	11,073,559	7.4
Total	2,291,959	4,412,616	6,704,575	87,510,839	7.7

FUNDING RECEIVED

	Treasury loan	CCC funds used
1981	0	$250,000
1982	0	0
1983	0	0
1984	0	0
1985	$113,000	0
1986	0	450,000
1987	0	300,000
1988	0	900,000
1989	0	400,000
1990 (estimated)	0	150,000
1991 (estimated)	0	[1] 300,000

[1] Amount required under existing legislation.

PLANTED ACRES ELIGIBLE FOR INSURANCE

Mr. Whitten. Please provide an update of the table shown on page 117 of last year's hearings regarding planted acres eligible for crop insurance.

[The information follows:]

PERCENT OF ELIGIBLE CROPS

Principal crops	1989 acres eligible for crop insurance (Thousands)	Eligible acres as a percentage of 1989 U.S. Planted	FCIC Net acres insured (Thousands)	Reinsured net acres insured (Thousands)	FCIC-Percent of eligible acres insured	Reinsured-Percent of eligible acres insured
Barley..........	8,619	100.0	639	3,617	7.4	42.0
Dry Beans.......	1,857	100.0	71	753	3.8	40.5
Corn............	72,064	100.0	1,856	28,114	2.6	39.0
Cotton..........	10,560	100.0	182	3,207	1.7	30.4
Flax............	210	100.0	14	84	6.7	40.0
Grain Sorghum...	11,901	100.0	390	3,710	3.3	31.2
Oats............	8,038	100.0	281	2,227	3.5	27.7
Peanuts.........	1,666	100.0	191	793	11.5	47.6
Rice............	2,731	100.0	84	358	3.1	13.1
Soybeans........	62,011	100.0	1,934	18,758	4.1	30.2
Sugar Beets.....	1,333	100.0	54	394	4.1	29.6
Sugar Cane......	858	89.3	12	7	1.4	.8
Tobacco, All....	689	100.0	61	218	8.9	31.6
Wheat...........	66,617	100.0	4,789	24,686	7.2	37.1
Total above crops	249,154	99.9	10,558	86,926	4.2	34.9

NOTE: Dollar Plan combined into Guaranteed Production Plan in 1987.

AVERAGE PARTICIPATION RATE

Mr. WHITTEN. Please provide a table by crop that shows the average participation rate.

[The information follows:]

AVERAGE PARTICIPATION RATE, 1989

[Acres in thousands]

Crop	Potential	Net insured	Percent insured
Almonds	402	112	27.9
Apples	473	66	14.0
Barley	8,619	4,175	48.4
Beans, dry edible	1,857	819	44.1
Beans, canning	266	31	4.1
Corn	72,064	29,826	41.4
Cotton	10,561	3,280	31.1
Cranberries	27	5	18.5
Citrus trees	34	22	64.7
Citrus	843	44	5.2
Dry peas	175	49	28.0
Figs	17	4	23.5
Flax	210	96	45.7
Forage production	2,141	493	23.0
Forage seed	NA	5	0.0
Green peas	333	130	39.0
Grapes	755	47	6.2
Grain sorghum	11,901	3,988	33.5
Hybrid seed corn	NA	465	0.0
Hybrid seed sorghum	NA	6	0.0
Macadamia nuts	18	2	11.1
Macadamia trees	18	2	11.1
Oats	8,038	2,401	29.8
Onions	67	9	13.4
Popcorn	NA	81	0.0
Peaches	184	42	22.8
Pears	69	2	2.9
Peppers	NA	3	0.0
Peanuts	1,666	985	59.1
Prunes	77	13	16.9
Potatoes	1,304	238	18.3
Raisins	272	240	88.2
Rice	2,731	441	16.1
Rye	1,813	33	1.8
Safflowers	NA	38	0.0
Soybeans	60,111	20,560	34.2
Sugarbeets	1,333	446	33.5
Sugar cane	858	20	2.3
Sunflowers	1,880	955	50.8
Stone fruit	94	4	4.3
Sween corn, processed	487	154	31.6
Sweet corn, fresh	192	19	9.9
Table grapes	88	5	5.7
Tobacco	689	278	40.3
Tomatoes, processed	336	76	22.6
Tomatoes, fresh	149	15	1.1
Walnuts	175	4	2.3
Wheat	66,617	29,146	43.8
Total	259,944	99,875	38.4

NA—Not available.

Note.—Does not include Puerto Rico data or nursery stock.

WRITE-OFF OF BAD DEBTS

Mr. WHITTEN. Please update the table that appears on page 120 of last year's hearings which shows the write-offs of bad debts.

[The information follows:]

WRITE-OFF OF BAD DEBTS AS OF SEPTEMBER 30, 1988

	Amount	Ratio of write-offs to total premiums
Crop year:		
1967	$178,823.78	0.0041
1968	247,527.78	.0051
1969	281,776.96	.0056
1970	215,966.70	.0049
1971	220,491.34	.0046
1972	170,224.33	.0040
1973	216,119.24	.0045
1974	249,923.42	.0046
1975	404,619.61	.0055
1976	393,362.41	.0043
1977	346,734.92	.0034
1978	440,379.45	.0047
1979	765,585.90	.0074
1980	1,265,106.33	.0080
1981	8,527,530.97	.0266
1982	2,809,806.14	.0114
1983	914,874.26	.0064
1984	1,077,132.47	.0079
1985	534,690.39	.0058
1986	73,392.60	.0013
1987	21,662.24	.0005
1988	14,271.42	.0003

Note.—The Corporation follows the practice of writing off as administratively uncollectible, all accounts receivable remaining unpaid after 5 years.

PROGRAM INDICATORS

Mr. WHITTEN. Please provide for the record a table of program indicators for crop years 1979, 1986, 1987, 1988, 1989, 1990.

[The information follows:]

FEDERAL CROP INSURANCE CORPORATION
Estimated Program Indicators

CROP YEAR	1979	1986	1987	1988	1989	1990
Number of States	39	49	49	50	50	50
Number of Counties	1,526	3,013	3,014	3,015	3,019	3,019
No. of County Programs	4,063	19,053	19,263	19,508	20,507	21,247
Insurance in Force ($000)	2,138,806	6,232,464	6,134,854	6,992,087	13,079,650	10,627,216
Insured Acreage (000)	21,461	48,722	49,113	53,700	99,875	81,149
Potential Acreage (000)	161,307	224,459	224,459	224,459	259,944	259,944
Participation Rate	13.32%	21.71%	21.88%	23.92%	38.42%	31.22%
NET-RISK PREMIUM ($000)						
PRODUCER PREMIUM						
Government Operations	103,324	59,992	47,658	47,393	78,000	63,375
Reinsurance Operations	N/A	232,723	231,752	280,329	522,000	424,125
TOT.PRODUCER PREMIUM	103,324	292,715	279,410	327,722	600,000	487,500
Subsidy:						
Government Operations	N/A	17,059	13,283	15,998	26,000	21,125
Reinsurance Operations	N/A	71,329	73,947	92,734	174,000	141,375
TOTAL SUBSIDY	N/A	88,388	87,230	108,732	200,000	162,500
Total Premium--Net Risk:						
Govt Operations (MRA)	103,324	77,051	60,941	63,391	104,000	84,500
Reins Operations (Total)	N/A	304,052	305,699	373,063	696,000	565,500
Total, Net-Risk Premium	103,324	381,103	366,640	437,654	800,000	650,000
Total Indemnities ($000):						
Government Operations	67,153	120,651	68,189	153,394	176,800	126,750
Reinsurance Operations	N/A	494,910	300,972	900,381	1,183,200	848,250
Total, Indemnities	67,153	615,561	369,161	1,053,775	1,360,000	975,000
Loss Ratio:						
Government Operations	0.65	1.57	1.12	2.42	1.70	1.50
Reinsurance Operations	N/A	1.63"	0.98	2.41	1.70	1.50
Combined Loss Ratio	0.65	1.62	1.01	2.41	1.70	1.50
Liability Per Acre	$99.66	$127.92	$124.91	$130.21	$130.96	$130.96
Ratio of Insurance in Force to Net-Risk Premium	20.70	16.35	16.73	15.98	16.35	16.35
Net-Risk Premium Per Acre	$4.81	$7.82	$7.47	$8.15	$8.01	$8.01

NOTE:THIS TABLE DEPICTS CROP YEAR DATA WHICH WILL NOT AGREE WITH FISCAL YEAR DATA.

EXPANSION OF PROGRAM FOR 1990

Mr. WHITTEN. Please provide for the record the expansion into new counties involving new crops during fiscal year 1990.

[CLERK'S NOTE.—The information provided was too voluminous to print and will be retained in committee files.]

NEW COUNTY PROGRAMS

Mr. WHITTEN. Please provide for the record a table showing the new county programs by crops, premium, indemnities and loss ratio for 1989 combined experience.

[The information follows:]

PROCESSED: 03/23/90

FEDERAL CROP INSURANCE CORPORATION
1989 FCIC/REINSURANCE COMBINED EXPERIENCE
US SUMMARY FOR NEW COUNTY PROGRAMS

STATE COUNTY	CROP	LIABILITY	TOTAL PREMIUM	INDEMNITY PAYABLE	LOSS RATIO
ALABAMA					
Baldwin	FRESH MARKET SWEET CORN	70,250	5,316	19,288	3.63
Limestone	PEACHES	45,109	5,509	45,094	8.19
Madison	PEACHES	1,350	84	1,350	16.07
TOTAL ALABAMA		116,709	10,909	65,732	6.03
ARIZONA					
Maricopa	TABLE GRAPES	213,402	13,872	44,552	3.21
ARKANSAS					
Clay	PEACHES	9,762	1,006	5,943	5.91
Independence	PEACHES	23,376	3,051	23,253	7.62
Stone	PEACHES	9,540	1,431	9,540	6.67
TOTAL ARKANSAS		42,678	5,488	38,736	7.06
CALIFORNIA					
Fresno	SAFFLOWER	340,011	25,906	75,817	2.93
Imperial	CITRUS	304,710	29,557	0	.00
Kings	SAFFLOWER	201,432	20,143	33,236	1.65
Lake	PEARS	206,324	16,506	0	.00

PROCESSED: 03/23/90

FEDERAL CROP INSURANCE CORPORATION
1989 FCIC/REINSURANCE COMBINED EXPERIENCE
US SUMMARY FOR NEW COUNTY PROGRAMS

STATE COUNTY	CROP	LIABILITY	TOTAL PREMIUM	INDEMNITY PAYABLE	LOSS RATIO
ALABAMA					
Baldwin	FRESH MARKET SWEET CORN	70,250	5,316	19,288	3.63
Limestone	PEACHES	45,109	5,509	45,094	8.19
Madison	PEACHES	1,350	84	1,350	16.07
TOTAL ALABAMA		116,709	10,909	65,732	6.03
ARIZONA					
Maricopa	TABLE GRAPES	213,402	13,872	44,552	3.21
ARKANSAS					
Clay	PEACHES	9,762	1,006	5,943	5.91
Independence	PEACHES	23,376	3,051	23,253	7.62
Stone	PEACHES	9,540	1,431	9,540	6.67
TOTAL ARKANSAS		42,678	5,488	38,736	7.06
CALIFORNIA					
Fresno	SAFFLOWER	340,011	25,906	75,817	2.93
Imperial	CITRUS	304,710	29,557	0	.00
Kings	SAFFLOWER	201,432	20,143	33,236	1.65
Lake	PEARS	206,324	16,506	0	.00

PROCESSED: 03/23/90

FEDERAL CROP INSURANCE CORPORATION
1989 FCIC/REINSURANCE COMBINED EXPERIENCE
US SUMMARY FOR NEW COUNTY PROGRAMS

STATE COUNTY	CROP	LIABILITY	TOTAL PREMIUM	INDEMNITY PAYABLE	LOSS RATIO
CALIFORNIA					
Sacramento	PEARS	54,054	1,622	0	.00
	SAFFLOWER	35,708	2,321	22	.01
TOTAL Sacramento		89,762	3,943	22	.01
San Joaquin	PEARS	72,930	7,293	0	.00
Santa Clara	SAFFLOWER	71,656	3,512	0	.00
Siskiyou	FORAGE PRODUCTION	88,424	4,591	10,355	2.26
Solano	SAFFLOWER	12,701	953	10,197	10.70
Sutter	SAFFLOWER	85,325	4,895	22,422	4.58
Tulare	SAFFLOWER	47,944	6,233	41,839	6.71
Yolo	SAFFLOWER	1,267,288	72,656	226,366	3.12
TOTAL CALIFORNIA		2,788,507	196,188	420,254	2.14
COLORADO					
Delta	PEACHES	45,459	7,363	45,413	6.17
Logan	SUNFLOWERS	43,463	6,534	618	.09
Mesa	PEACHES	77,765	12,099	77,758	6.43
Montrose	PEACHES	11,158	1,675	11,157	6.66
Phillips	POPCORN	98,426	11,164	10,055	.90
	SUNFLOWERS	6,812	1,048	5,263	5.02
TOTAL Phillips		105,238	12,212	15,318	1.25
Prowers	ONIONS	85,638	12,846	0	.00

PROCESSED: 03/23/90

FEDERAL CROP INSURANCE CORPORATION
1989 FCIC/REINSURANCE COMBINED EXPERIENCE
US SUMMARY FOR NEW COUNTY PROGRAMS

STATE COUNTY	CROP	LIABILITY	TOTAL PREMIUM	INDEMNITY PAYABLE	LOSS RATIO
COLORADO					
Sedgwick	SUNFLOWERS	0	0	0	.00
Washington	SUNFLOWERS	138,772	18,799	22,143	1.18
Yuma	POPCORN	52,621	5,998	2,364	.39
TOTAL COLORADO		560,114	77,526	174,771	2.25
FLORIDA					
Dade	FRESH MARKET SWEET CORN	1,395,900	112,274	16,500	.15
De Soto	POTATOES	130,410	6,390	0	.00
Indian River	POTATOES	160,746	7,876	81,405	10.34
Suwannee	FRESH MARKET SWEET CORN	303,205	21,832	0	.00
	POTATOES	471,823	21,230	0	.00
TOTAL Suwannee		775,028	43,062	0	.00
Walton	FRESH MARKET TOMATOES	30,449	2,710	21,776	8.04
TOTAL FLORIDA		2,492,533	172,312	119,681	.69
GEORGIA					
Bacon	PEACHES	61,119	6,928	55,712	8.04
Colquitt	PEACHES	332,896	34,842	225,056	6.46
Dooly	PEACHES	25,317	2,566	7,974	3.11
Fannin	APPLES	121,713	14,362	23,004	1.60
Hall	APPLES	1,629	266	0	.00

PROCESSED: 03/23/90

FEDERAL CROP INSURANCE CORPORATION
1989 FCIC/REINSURANCE COMBINED EXPERIENCE
US SUMMARY FOR NEW COUNTY PROGRAMS

STATE COUNTY	CROP	LIABILITY	TOTAL PREMIUM	INDEMNITY PAYABLE	LOSS RATIO
GEORGIA					
Lowndes	PEACHES	5,760	363	5,760	15.87
Pierce	PEACHES	6,526	698	6,325	9.06
Rabun	APPLES	44,517	4,670	14,892	3.19
Sumter	PEACHES	183,708	13,778	59,001	4.28
Ware	PEANUTS	28,238	2,457	0	.00
White	APPLES	2,622	309	0	.00
TOTAL GEORGIA		814,045	81,239	397,724	4.90
HAWAII					
Hawaii	MACADAMIA NUTS	2,359,377	22,084	0	.00
	MACADAMIA TREES	19,419,525	256,859	0	.00
TOTAL Hawaii		21,778,902	278,943	0	.00
TOTAL HAWAII		21,778,902	278,943	0	.00
IDAHO					
Blaine	GREEN PEAS	42,206	4,221	0	.00
Franklin	SAFFLOWER	7,350	434	0	.00
Owyhee	APPLES	92,082	8,820	22,771	2.58
Washington	OATS	10,509	732	2,164	2.96
TOTAL IDAHO		152,147	14,207	24,935	1.76
ILLINOIS					
Clay	POPCORN	5,779	778	0	.00

PROCESSED: 03/23/90

FEDERAL CROP INSURANCE CORPORATION
1989 FCIC/REINSURANCE COMBINED EXPERIENCE
US SUMMARY FOR NEW COUNTY PROGRAMS

STATE COUNTY	CROP	LIABILITY	TOTAL PREMIUM	INDEMNITY PAYABLE	LOSS RATIO
ILLINOIS					
Effingham	POPCORN	15,386	1,023	0	.00
Fayette	POPCORN	36,221	1,990	0	.00
Iroquois	CANNING BEANS	6,045	907	6,045	6.66
Jasper	POPCORN	23,398	1,028	0	.00
Lee	CANNING BEANS	6,732	565	0	.00
Livingston	CANNING BEANS	5,175	776	0	.00
Marion	POPCORN	14,108	1,783	0	.00
Marshell	CANNING BEANS	1,415	139	0	.00
Mercer	TOMATOES	337,740	25,351	56,094	2.21
Peoria	CANNING BEANS	16,878	1,688	0	.00
Piatt	POPCORN	47,608	1,619	26,033	16.08
Rock Island	TOMATOES	551,952	38,522	166,914	4.33
St Clair	APPLES	37,351	1,532	0	.00
Wabash	POPCORN	10,001	1,080	1,645	1.52
Whiteside	CANNING BEANS	40,750	3,890	0	.00
TOTAL ILLINOIS		1,156,539	82,671	256,731	3.11
INDIANA					
Allen	POPCORN	2,786	137	891	6.50
	POTATOES	394,131	12,613	232,684	18.45
TOTAL Allen		396,917	12,750	233,575	18.32

PROCESSED: 03/23/90

FEDERAL CROP INSURANCE CORPORATION
1989 FCIC/REINSURANCE COMBINED EXPERIENCE
US SUMMARY FOR NEW COUNTY PROGRAMS

STATE COUNTY	CROP	LIABILITY	TOTAL PREMIUM	INDEMNITY PAYABLE	LOSS RATIO
INDIANA					
Bartholomew	POPCORN	30,143	966	5,881	6.09
Blackford	POPCORN	10,118	597	7,173	12.02
Clark	POPCORN	12,496	812	0	.00
Daviess	POPCORN	33,417	3,255	951	.29
Fayette	POPCORN	19,848	1,488	0	.00
Fountain	APPLES	129,399	17,470	0	.00
Jasper	POTATOES	109,089	3,272	0	.00
La Porte	POTATOES	90,773	2,905	0	.00
St Joseph	POTATOES	0	0	0	.00
Warren	APPLES	0	0	0	.00
Whitley	POTATOES	197,533	6,321	0	.00
TOTAL INDIANA		1,029,733	49,836	247,580	4.97
IOWA					
Adams	POPCORN	14,845	965	0	.00
Audubon	POPCORN	17,476	1,276	0	.00
Bremer	POPCORN	40,224	1,327	14,892	11.22
Carroll	POPCORN	19,141	1,701	0	.00
Des Moines	TOMATOES	87,888	6,688	3,792	.57
E Pottawattamie	POPCORN	5,553	416	0	.00

PROCESSED: 03/23/90

FEDERAL CROP INSURANCE CORPORATION
1989 FCIC/REINSURANCE COMBINED EXPERIENCE
US SUMMARY FOR NEW COUNTY PROGRAMS

STATE COUNTY	CROP	LIABILITY	TOTAL PREMIUM	INDEMNITY PAYABLE	LOSS RATIO
IOWA					
Emmet	SWEET CORN	22,666	1,134	0	.00
Jackson	POPCORN	8,196	533	0	.00
Jasper	POPCORN	22,909	1,395	0	.00
Kossuth	DRY BEANS	8,548	692	0	.00
TOTAL IOWA		247,446	16,127	18,684	1.16
KANSAS					
Greeley	DRY BEANS	17,275	1,287	3,340	2.60
Hamilton	SUNFLOWERS	0	0	0	.00
Hodgeman	SUNFLOWERS	0	0	0	.00
Osborne	SUNFLOWERS	24,101	1,964	1,382	.70
Pawnee	SUNFLOWERS	0	0	0	.00
Rush	SUNFLOWERS	0	0	0	.00
Smith	SUNFLOWERS	1,009	99	0	.00
TOTAL KANSAS		42,385	3,350	4,722	1.41
LOUISIANA					
Lincoln	PEACHES	153,104	15,769	148,060	9.39
Madison	OATS	61,665	3,794	5,132	1.35
Morehouse	OATS	70,949	4,448	7,479	1.61
TOTAL LOUISIANA		285,718	24,211	160,671	6.64

PROCESSED: 03/23/90

FEDERAL CROP INSURANCE CORPORATION
1989 FCIC/REINSURANCE COMBINED EXPERIENCE
US SUMMARY FOR NEW COUNTY PROGRAMS

STATE COUNTY	CROP	LIABILITY	TOTAL PREMIUM	INDEMNITY PAYABLE	LOSS RATIO
MAINE					
Waldo	APPLES	13,953	1,423	9,881	6.94
MARYLAND					
Somerset	FRESH MARKET TOMATOES	239,653	15,577	0	.00
Worcester	FRESH MARKET TOMATOES	277,478	18,036	109,977	6.10
TOTAL MARYLAND		517,131	33,613	109,977	3.27
MICHIGAN					
Alpena	POTATOES	493,491	34,013	119,151	3.50
Arenac	ONIONS	0	0	0	.00
Barry	ONIONS	6,312	410	6,312	15.40
	POTATOES	93,134	4,657	93,134	20.00
TOTAL Barry		99,446	5,067	99,446	19.63
Calhoun	POPCORN	41,909	3,483	0	.00
Cass	CANNING BEANS	209,206	13,846	0	.00
Clinton	ONIONS	53,704	4,350	0	.00
	POTATOES	81,610	3,182	0	.00
TOTAL Clinton		135,314	7,532	0	.00
Eaton	CANNING BEANS	10,940	1,073	1,580	1.47
Genesee	POTATOES	444,172	25,270	0	.00
Gratiot	POTATOES	290,882	21,817	213,022	9.76

PROCESSED: 03/23/90

FEDERAL CROP INSURANCE CORPORATION
1989 FCIC/REINSURANCE COMBINED EXPERIENCE
US SUMMARY FOR NEW COUNTY PROGRAMS

STATE COUNTY	CROP	LIABILITY	TOTAL PREMIUM	INDEMNITY PAYABLE	LOSS RATIO
MICHIGAN					
Huron	POTATOES	226,119	14,580	0	.00
Isabella	ONIONS	36,660	1,723	3,593	2.09
Jackson	POTATOES	166,274	10,808	45,841	4.24
Kalamazoo	POPCORN	29,411	2,088	0	.00
Lapeer	POTATOES	166,536	11,478	46,510	4.05
Lenawee	DRY BEANS	8,212	1,116	2,387	2.14
	HYBRID CORN SEED	32,000	3,392	0	.00
	POTATOES	830,470	64,409	268,976	4.18
TOTAL Lenawee		870,682	68,917	271,363	3.94
Mackinac	DRY BEANS	2,127	613	1,995	3.25
Marquette	POTATOES	10,166	823	0	.00
Midland	POTATOES	60,117	4,982	2,195	.44
Monroe	SUGAR BEETS	263,739	15,141	39,796	2.63
Montcalm	CANNING BEANS	45,940	3,552	4,300	1.21
	SUGAR BEETS	52,004	1,747	0	.00
TOTAL Montcalm		97,944	5,299	4,300	.81
Saginaw	POTATOES	322,626	17,546	0	.00
Sanilac	POTATOES	469,819	21,724	0	.00
St Clair	ONIONS	0	0	0	.00
St Joseph	HYBRID CORN SEED	1,109,506	124,420	11,454	.09

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STATE COUNTY	CROP	LIABILITY	TOTAL PREMIUM	INDEMNITY PAYABLE	LOSS RATIO
MICHIGAN					
Tuscola	ONIONS	12,740	947	3,255	3.44
Washtenaw	ONIONS	19,535	1,152	19,535	16.96
	POTATOES	393,425	39,342	347,273	8.83
TOTAL Washtenaw		412,960	40,494	366,808	9.06
TOTAL MICHIGAN		5,982,786	453,684	1,230,309	2.71
MINNESOTA					
Aitkin	SUNFLOWERS	34,348	4,799	0	.00
Faribault	POTATOES	38,970	1,286	0	.00
Lac Qui Parle	DRY BEANS	95,927	7,088	28	.00
McLeod	HYBRID CORN SEED	181,364	22,912	0	.00
	SUGAR BEETS	309,460	18,258	1,680	.09
TOTAL McLeod		490,824	41,170	1,680	.04
Meeker	DRY BEANS	64,822	5,833	26	.00
Pope	POTATOES	16,013	464	0	.00
Roseau	SOYBEANS	118,220	10,948	2,295	.21
Traverse	DRY BEANS	65,504	7,776	0	.00
Wilkin	POTATOES	31,480	1,392	0	.00
Wright	GREEN PEAS	6,680	835	0	.00
TOTAL MINNESOTA		962,788	81,591	4,029	.05
MISSOURI					
Barry	APPLES	427,982	57,777	0	.00

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STATE COUNTY	CROP	LIABILITY	TOTAL PREMIUM	INDEMNITY PAYABLE	LOSS RATIO
MISSOURI					
Cape Girardeau	APPLES	249,733	33,714	0	.00
Lawrence	APPLES	16,239	2,244	4,043	1.80
Stoddard	PEACHES	25,035	4,114	8,616	2.09
TOTAL MISSOURI		720,989	97,849	12,659	.13
MONTANA					
Beaverhead	FORAGE PRODUCTION	57,483	3,468	18,235	5.26
Big Horn	DRY BEANS	16,317	1,254	8,526	6.80
	FORAGE PRODUCTION	23,063	1,645	4,257	2.59
	FORAGE SEEDING	0	0	0	.00
	SAFFLOWER	20,566	5,837	19,541	3.35
TOTAL Big Horn		59,946	8,736	32,324	3.70
Blaine	FORAGE PRODUCTION	13,483	1,250	0	.00
Carbon	FORAGE PRODUCTION	138,786	6,605	28,868	4.37
Carter	FORAGE PRODUCTION	146,309	15,036	36,250	2.41
Cascade	FORAGE PRODUCTION	154,643	11,626	946	.08
	FORAGE SEEDING	1,310	118	0	.00
TOTAL Cascade		155,953	11,744	946	.08
Fergus	FORAGE PRODUCTION	180,535	11,925	38	.00
	FORAGE SEEDING	2,200	130	0	.00
TOTAL Fergus		182,735	12,055	38	.00
Gallatin	FORAGE PRODUCTION	75,446	4,751	10,983	2.31

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STATE COUNTY	CROP	LIABILITY	TOTAL PREMIUM	INDEMNITY PAYABLE	LOSS RATIO
MONTANA					
Judith Basin	FORAGE PRODUCTION	253,639	19,403	6,734	.35
	FORAGE SEEDING	0	0	0	.00
TOTAL Judith Basin		253,639	19,403	6,734	.35
Lake	FORAGE PRODUCTION	44,154	1,734	4,145	2.39
Lewis and Clark	FORAGE PRODUCTION	347,809	21,011	19,662	.94
Madison	FORAGE PRODUCTION	39,022	1,913	6,124	3.20
Park	FORAGE PRODUCTION	20,505	1,294	0	.00
Phillips	FORAGE PRODUCTION	20,727	1,233	3,182	2.58
	FORAGE SEEDING	492	36	0	.00
TOTAL Phillips		21,219	1,269	3,182	2.51
Pondera	SAFFLOWER	17,747	3,351	16,615	4.96
Powder River	FORAGE PRODUCTION	139,783	14,210	20,733	1.46
	FORAGE SEEDING	960	108	960	8.89
TOTAL Powder River		140,743	14,318	21,693	1.52
Roosevelt	SUGAR BEETS	30,600	1,010	0	.00
Rosebud	FORAGE PRODUCTION	145,354	11,626	1,445	.12
	FORAGE SEEDING	1,473	166	0	.00
TOTAL Rosebud		146,827	11,792	1,445	.12
Sheridan	SUGAR BEETS	36,810	1,693	36,810	21.74
Teton	FORAGE PRODUCTION	21,663	1,178	424	.36
	FORAGE SEEDING	1,248	112	0	.00
	SAFFLOWER	0	0	0	.00

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STATE COUNTY	CROP	LIABILITY	TOTAL PREMIUM	INDEMNITY PAYABLE	LOSS RATIO
TOTAL Teton		22,911	1,290	424	.33
MONTANA					
Valley	FORAGE PRODUCTION	28,669	2,142	2,084	.97
	FORAGE SEEDING	3,078	219	0	.00
TOTAL Valley		31,747	2,361	2,084	.88
TOTAL MONTANA		1,983,874	146,084	246,562	1.69
NEBRASKA					
Boyd	POPCORN	59,404	3,030	0	.00
Chase	OATS	2,117	270	1,866	6.91
	SUNFLOWERS	11,362	4,308	10,484	2.43
TOTAL Chase		13,479	4,578	12,350	2.70
Cherry	DRY BEANS	106,081	9,768	90,021	9.22
Custer	POPCORN	111,053	8,615	6,656	.77
Dawson	OATS	9,016	1,101	7,980	7.25
Deuel	SUNFLOWERS	12,462	1,062	0	.00
Dundy	OATS	5,077	418	3,307	7.91
	POPCORN	332,567	31,846	4,777	.15
	SUNFLOWERS	10,444	2,380	1,270	.53
TOTAL Dundy		348,088	34,644	9,354	.27
Frontier	DRY BEANS	21,406	2,084	0	.00
	POPCORN	27,846	2,637	0	.00
TOTAL Frontier		49,252	4,721	0	.00
Furnas	OATS	8,389	907	7,216	7.96

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STATE COUNTY	CROP	LIABILITY	TOTAL PREMIUM	INDEMNITY PAYABLE	LOSS RATIO
NEBRASKA					
Gage	POPCORN	6,930	340	0	.00
Garden	SUNFLOWERS	7,428	1,062	2,574	2.42
Garfield	POPCORN	7,016	450	3,656	8.12
Gosper	HYBRID CORN SEED	172,760	13,575	0	.00
	OATS	3,362	353	2,741	7.76
TOTAL Gosper		176,122	13,928	2,741	.20
Harlan	OATS	41,743	3,631	37,420	10.31
	SUNFLOWERS	1,451	71	0	.00
TOTAL Harlan		43,194	3,702	37,420	10.11
Hayes	OATS	2,422	241	1,110	4.61
Holt	DRY BEANS	83,971	13,663	68,193	4.99
Jefferson	POPCORN	17,105	1,128	0	.00
Keya Paha	POPCORN	199,536	10,231	0	.00
	SUNFLOWERS	2,119	483	204	.42
TOTAL Keya Paha		201,655	10,714	204	.02
Perkins	OATS	19,051	1,820	10,634	5.84
Phelps	OATS	2,500	284	1,113	3.92
	POPCORN	165,738	9,867	0	.00
TOTAL Phelps		168,238	10,151	1,113	.11
Platte	POPCORN	9,667	377	0	.00
Red Willow	OATS	10,370	1,025	2,462	2.40

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STATE COUNTY	CROP	LIABILITY	TOTAL PREMIUM	INDEMNITY PAYABLE	LOSS RATIO
NEBRASKA					
Red Willow	SUNFLOWERS	5,310	409	0	.00
TOTAL Red Willow		15,680	1,434	2,462	1.72
Sherman	POPCORN	61,383	6,139	0	.00
Thurston	POPCORN	77,819	4,125	0	.00
York	HYBRID CORN SEED	300,047	18,146	42,639	2.35
TOTAL NEBRASKA		1,914,952	155,846	306,323	1.97
NEW YORK					
Cattaraugus	FORAGE PRODUCTION	216,504	8,362	14,067	1.68
	FORAGE SEEDING	638	48	17	.35
TOTAL Cattaraugus		217,142	8,410	14,084	1.67
Niagara	PEACHES	11,790	1,382	3,413	2.47
Steuben	SWEET CORN	166,314	8,681	21,199	2.44
Wyoming	GREEN PEAS	9,305	698	9,305	13.33
TOTAL NEW YORK		404,551	19,171	48,001	2.50
NORTH CAROLINA					
Alexander	PEACHES	16,314	2,677	9,681	3.62
Buncombe	APPLES	18,162	2,960	9,018	3.05
Burke	APPLES	50,175	8,601	46,284	5.38
Carteret	POTATOES	0	0	0	.00

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STATE COUNTY	CROP	LIABILITY	TOTAL PREMIUM	INDEMNITY PAYABLE	LOSS RATIO
NORTH CAROLINA					
Catawba	APPLES	39,636	7,729	13,716	1.77
Gaston	PEACHES	135	20	0	.00
Nash	PEACHES	3,432	505	1,593	3.15
Rutherford	APPLES	82,890	14,890	64,075	4.30
Washington	POTATOES	666,916	57,901	33,200	.57
Watauga	APPLES	4,773	835	2,900	3.47
Wilkes	PEACHES	9,564	1,602	4,149	2.59
TOTAL NORTH CAROLINA		891,997	97,720	184,616	1.89
NORTH DAKOTA					
Adams	FORAGE PRODUCTION	279,152	28,164	88,099	3.13
	RYE	2,355	376	2,314	6.15
TOTAL Adams		281,507	28,540	90,413	3.17
Benson	RYE	7,519	828	5,651	6.82
Bowman	RYE	1,465	171	0	.00
Burke	RYE	6,174	420	1,738	4.14
Burleigh	FORAGE PRODUCTION	440,790	35,776	239,135	6.68
	FORAGE SEEDING	0	0	0	.00
	RYE	3,196	281	750	2.67
	SOYBEANS	19,484	1,910	19,206	10.06
TOTAL Burleigh		463,470	37,967	259,091	6.82
Divide	RYE	4,970	619	1,120	1.81

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STATE COUNTY	CROP	LIABILITY	TOTAL PREMIUM	INDEMNITY PAYABLE	LOSS RATIO
NORTH DAKOTA					
Dunn	FORAGE PRODUCTION	493,568	47,892	59,513	1.24
	FORAGE SEEDING	0	0	0	.00
	RYE	1,672	187	0	.00
TOTAL Dunn		495,240	48,079	59,513	1.24
Eddy	RYE	2,155	248	1,610	6.49
Emmons	FORAGE PRODUCTION	497,010	42,530	307,659	7.23
	FORAGE SEEDING	12,117	1,454	2,114	1.45
	SOYBEANS	5,976	494	3,433	6.95
TOTAL Emmons		515,103	44,478	313,206	7.04
Grant	FORAGE PRODUCTION	525,021	48,128	282,347	5.87
	FORAGE SEEDING	6,679	843	0	.00
	RYE	3,705	281	3,229	11.49
TOTAL Grant		535,405	49,252	285,576	5.80
Kidder	FORAGE PRODUCTION	660,911	43,143	275,331	6.38
	FORAGE SEEDING	51,164	4,502	0	.00
TOTAL Kidder		712,075	47,645	275,331	5.78
Logan	RYE	409	56	0	.00
McHenry	FORAGE PRODUCTION	193,173	12,454	67,389	5.41
	FORAGE SEEDING	495	61	0	.00
TOTAL McHenry		193,668	12,515	67,389	5.38
McIntosh	RYE	6,027	762	466	.61
Morton	RYE	4,305	501	231	.46
Mountrail	RYE	11,926	1,160	2,511	2.16

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STATE COUNTY	CROP	LIABILITY	TOTAL PREMIUM	INDEMNITY PAYABLE	LOSS RATIO
NORTH DAKOTA					
Oliver	DRY BEANS	22,703	3,458	18,304	5.29
Rolette	DRY BEANS	8,422	1,183	3,874	3.27
	RYE	3,238	328	919	2.80
TOTAL Rolette		11,660	1,511	4,793	3.17
Sargent	POTATOES	21,970	989	0	.00
Sheridan	DRY BEANS	17,228	4,343	15,335	3.53
Sioux	RYE	3,262	940	3,262	3.47
Slope	RYE	3,405	422	1,986	4.71
Stark	RYE	4,151	466	2,992	6.42
Stutsman	FORAGE PRODUCTION	349,261	18,703	66,059	3.53
	FORAGE SEEDING	220	16	0	.00
TOTAL Stutsman		349,481	18,719	66,059	3.53
Williams	RYE	28,811	3,266	8,528	2.61
TOTAL NORTH DAKOTA		3,704,089	307,355	1,485,105	4.83
OHIO					
Allen	TOMATOES	0	0	0	.00
Defiance	TOMATOES	80,726	5,686	0	.00
Greene	POPCORN	4,035	149	0	.00
	TOBACCO	7,077	410	0	.00
TOTAL Greene		11,112	559	0	.00

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OHIO					
Huron	DRY BEANS	3,942	256	1,993	7.79
Knox	POPCORN	14,881	730	0	.00
Mercer	POPCORN	59,219	3,319	0	.00
	TOMATOES	21,738	1,109	0	.00
TOTAL Mercer		80,957	4,428	0	.00
Pike	HYBRID CORN SEED	104,265	9,905	18,515	1.87
TOTAL OHIO		295,883	21,564	20,508	.95
OKLAHOMA					
Blaine	POTATOES	26,514	1,723	0	.00
Custer	POTATOES	139,092	9,041	0	.00
Harmon	PEANUTS	8,768	228	0	.00
Kay	CORN	100,159	12,290	13,010	1.06
Oklahoma	PEANUTS	30,589	2,569	0	.00
TOTAL OKLAHOMA		305,122	25,851	13,010	.50
OREGON					
Baker	POTATOES	179,773	10,055	7,505	.75
Grant	APPLES	98,532	4,730	0	.00
Hood River	PEARS	174,739	11,674	0	.00
Jackson	PEARS	869,663	50,699	0	.00

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STATE COUNTY	CROP	LIABILITY	TOTAL PREMIUM	INDEMNITY PAYABLE	LOSS RATIO
OREGON					
Morrow	GRAPES	189,270	23,659	187,965	7.94
TOTAL OREGON		1,511,977	100,817	195,470	1.94
PENNSYLVANIA					
Clearfield	APPLES	7,000	448	0	.00
Clinton	TOMATOES	16,068	2,009	0	.00
Cumberland	FORAGE PRODUCTION	7,644	245	0	.00
Dauphin	SWEET CORN	7,623	457	0	.00
	TOMATOES	36,600	1,867	0	.00
TOTAL Dauphin		44,223	2,324	0	.00
Lawrence	APPLES	15,782	1,894	0	.00
Lehigh	TOMATOES	10,320	836	468	.56
Lycoming	TOMATOES	36,300	1,779	0	.00
Northampton	APPLES	3,153	369	634	1.72
Schuylkill	APPLES	4,887	572	1,540	2.69
	SWEET CORN	22,914	1,375	0	.00
TOTAL Schuylkill		27,801	1,947	1,540	.79
TOTAL PENNSYLVANIA		168,291	11,851	2,642	.22
SOUTH CAROLINA					
Hampton	PEACHES	185,991	24,179	39,990	1.65
Laurens	APPLES	349,968	21,347	0	.00
TOTAL SOUTH CAROLINA		535,959	45,526	39,990	.88

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SOUTH DAKOTA					
Buffalo	SUNFLOWERS	40,084	4,984	3,984	.80
Codington	DRY BEANS	34,337	3,024	0	.00
	POTATOES	82,852	3,231	0	.00
TOTAL Codington		117,189	6,255	0	.00
Deuel	DRY BEANS	3,514	374	0	.00
Jerauld	SUNFLOWERS	2,071	195	0	.00
McCook	DRY BEANS	300,368	43,835	297,170	6.78
Moody	DRY BEANS	4,774	286	1,134	3.97
Sanborn	SOYBEANS	747,004	59,508	220,424	3.70
Turner	DRY BEANS	30,135	2,044	5,031	2.46
Union	HYBRID CORN SEED	549,500	36,000	0	.00
TOTAL SOUTH DAKOTA		1,794,639	153,481	527,743	3.44
TENNESSEE					
Cocke	APPLES	13,407	1,837	11,187	6.09
Obion	PEACHES	17,458	1,795	15,650	8.72
Sevier	APPLES	17,352	2,378	16,197	6.81
Shelby	PEACHES	68,438	7,049	63,672	9.03
TOTAL TENNESSEE		116,655	13,059	106,706	8.17
TEXAS					
Bailey	PEANUTS	67,037	2,296	0	.00

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TEXAS					
Briscoe	PEANUTS	5,405	530	0	.00
Floyd	GRAPES	18,005	1,062	9,165	8.63
Gillespie	PEACHES	56,373	3,982	9,498	2.39
Hale	GRAPES	18,655	1,201	15,665	13.04
Haskell	POTATOES	116,508	7,513	34,922	4.65
Lamb	PEANUTS	68,904	4,479	0	.00
Lubbock	GRAPES	35,051	3,024	0	.00
Montague	PEACHES	21,704	3,356	21,704	6.47
Smith	PEACHES	9,397	969	7,615	7.86
Zavala	COTTON EX LONG STAPLE	147,523	14,162	0	.00
TOTAL TEXAS		564,562	42,574	98,569	2.32
VIRGINIA					
Accomack	FRESH MARKET TOMATOES	93,434	6,073	0	.00
Amherst	APPLES	117,982	14,866	28,842	1.94
	PEACHES	2,682	375	0	.00
TOTAL Amherst		120,664	15,241	28,842	1.89
Floyd	PEACHES	177	25	161	6.44
Northampton	FRESH MARKET TOMATOES	174,416	11,336	0	.00
Pittsylvania	PEACHES	984	203	819	4.03

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STATE COUNTY	CROP	LIABILITY	TOTAL PREMIUM	INDEMNITY PAYABLE	LOSS RATIO
VIRGINIA					
Roanoke	APPLES	62,826	4,949	46,130	9.32
TOTAL VIRGINIA		452,501	37,827	75,952	2.01
WASHINGTON					
Chelan	PEARS	126,087	11,630	0	.00
Franklin	GREEN PEAS	0	0	0	.00
Grant	PEARS	28,399	2,840	0	.00
Kittitas	FORAGE PRODUCTION	35,550	2,666	5,960	2.24
Walla Walla	DRY BEANS	64,370	6,310	0	.00
Yakima	PEARS	265,166	23,488	1,183	.05
TOTAL WASHINGTON		519,572	46,934	7,143	.15
WISCONSIN					
Columbia	FORAGE PRODUCTION	7,607	309	1,466	4.74
Crawford	FORAGE PRODUCTION	10,661	800	319	.40
Green	CANNING BEANS	17,160	2,316	0	.00
Green Lake	FORAGE PRODUCTION	14,000	686	5,498	8.01
Jefferson	FORAGE PRODUCTION	7,020	295	0	.00
Rock	FORAGE PRODUCTION	13,946	612	2,568	4.20
St Croix	FORAGE PRODUCTION	33,350	1,634	0	.00
Trempealeau	FORAGE PRODUCTION	25,405	1,294	0	.00

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STATE COUNTY	CROP	LIABILITY	TOTAL PREMIUM	INDEMNITY PAYABLE	LOSS RATIO
WISCONSIN					
Walworth	CANNING BEANS	16,265	1,357	0	.00
Washburn	CANNING BEANS	23,650	2,957	3,570	1.21
Washington	FORAGE PRODUCTION	19,899	976	0	.00
TOTAL WISCONSIN		189,963	13,236	13,421	1.01
WYOMING					
Big Horn	FORAGE PRODUCTION	19,410	607	1,334	2.20
Converse	FORAGE PRODUCTION	6,658	573	3,133	5.47
Fremont	FORAGE PRODUCTION	31,136	1,469	16,988	11.56
	FORAGE SEEDING	2,100	107	0	.00
TOTAL Fremont		33,236	1,576	16,988	10.78
Johnson	FORAGE PRODUCTION	137,873	10,015	30,367	3.03
Lincoln	FORAGE PRODUCTION	156,251	9,165	13,643	1.49
Sheridan	FORAGE PRODUCTION	94,542	8,104	39,597	4.89
	FORAGE SEEDING	10,626	531	0	.00
TOTAL Sheridan		105,168	8,635	39,597	4.59
TOTAL WYOMING		458,596	30,571	105,062	3.44
*TOTAL CROP_YEAR 89		55,731,688	2,964,506	6,818,451	2.30

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                    PROCESSED: 03/23/90

                                  FEDERAL CROP INSURANCE CORPORATION
                                19 FCIC/REINSURANCE COMBINED EXPERIENCE
                                  US SUMMARY FOR NEW COUNTY PROGRAMS

                      -------------------------------------------------------------------

STATE
-----                                                                   TOTAL           INDEMNITY LOSS
  COUNTY                CROP                         LIABILITY         PREMIUM          PAYABLE   RATIO
  ------                ----                         ---------         -------          --------- -----

TOTAL                                               55,731,688       2,964,506          6,818,451  2.30
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SUMMARY OF EXPERIENCE 1979–1989

Mr. WHITTEN. For the record, please provide a table from fiscal year 1979 to date that shows the number of acres insured, the amount of premium and the total amount of indemnities paid and the loss ratio for each crop year.

[The information follows:]

SUMMARY OF EXPERIENCE, FCIC/REINSURANCE

[Dollars in thousands]

	Net acres (in thousands)	Premium	Indemnities	Loss ratio
Crop year:				
1979	21,461	$103,324	$67,153	0.65
1980	26,272	156,465	342,626	2.19
1981	44,975	379,169	408,101	1.08
1982	42,721	398,671	528,157	1.32
1983	27,935	291,353	587,691	2.02
1984	42,668	435,982	643,071	1.47
1985	48,537	439,991	682,695	1.55
1986	48,722	381,103	615,562	1.62
1987	49,112	366,640	369,163	1.01
1988	53,700	437,654	1,053,775	2.41
1989	99,875	800,000	1,360,000	1.70
Total	505,978	4,190,352	6,657,994	1.59

REIMBURSEMENT TO THE FUND

Mr. WHITTEN. For fiscal year 1989 you borrowed significant funds from the Fund to pay A&O expenses for agents' and brokers' commissions. The law states that such payments may be restored by appropriations in subsequent years. What is the impact if no appropriations are received to reimburse the Fund for past years' commissions?

Mr. GABRIEL. This could cause cash flow problems in the early quarters of the applicable fiscal year—due to the deferred billing and collection of farmer-paid premiums—and would preclude the FCIC from using Fund monies in the future to offset unforeseen additional losses and/or administrative expenses to pay contractors who have written insurance beyond original premium estimates. The Corporation has detailed analyses of the component parts of the Fund—Paid-in-Capital, CCC transfers, Treasury notes, farmer premium, and excess unearned premium subsidy—and closely monitors the use of Fund monies to comply with the legal restrictions and provisions of the Federal Crop Insurance Act of 1980.

Our analysis of available funds shows that the projected Fund balance as of September 30, 1991, would be reduced to about $208 million if the Fund is not reimbursed for expenses paid in prior years. In recent years, a Fund balance of $200 million is not adequate to meet unexpected expenses of the Corporation.

COST OF DISASTER ASSISTANCE PROGRAM

Mr. WHITTEN. Your budget request proposes to terminate the crop insurance program in fiscal year 1991 and calls for a permanent disaster program to replace Federal crop insurance. Yet, you have requested no funds in the budget for a disaster program. Do you have any estimates as to what an annual disaster assistance program would cost?

Mr. GABRIEL. The disaster program proposed in the President's 1991 Budget would be funded out of the Commodity Credit Corporation. However, as each crop year progresses, the Budget would be updated to reflect anticipated outlays. The most likely point for establishing the annual exposure would probably be the annual Mid-Session Review. We do not have any estimates on annual costs since the trigger mechanism could be reached by significantly different numbers of counties each year.

GOVERNMENT COSTS FOR AGRICULTURE DISASTER ASSISTANCE PROGRAMS

Mr. WHITTEN. For the record, please provide a table showing the amounts since 1980 for combined crop insurance, disaster payments and emergency loans allocated in each year.

[The information follows:]

[Dollars in thousands]

	Crop insurance payments	ASCS disaster payments	FmHA emergency loans	Total payments for year
1980	$28,015	$303,352	$245,261	$760,613
1981	138,947	1,422,363	402,171	1,720,273
1982	480,724	337,390	440,681	1,197,914
1983	345,865	127,897	436,225	961,170
1984	325,956	26,979	438,673	803,256
1985	462,696	17,795	730,337	1,220,740
1986	731,613	16,610	865,598	1,659,900
1987	557,515	667,724	1,180,047	2,453,408
1988	1,206,713	114,203	1,647,491	3,088,539
1989	713,992	4,017,158	2,233,889	6,965,039
Total	4,992,036	7,051,471	[1] 8,620,373	20,830,852

[1] FmHA costs do not reflect current loan levels, but represent Government costs for interest subsidy and write-offs on prior loans.

Source: Table 1.1, p. 13 of GAO report #RCED 89-211.

REINSURANCE STOP/LOSS PROVISION

Mr. WHITTEN. For approximately two years the Federal Crop Insurance Corporation planned to alter the stop/loss provision requiring reinsurance companies to have a bigger share in the risk involved in policies. But at its annual meeting in 1988, FCIC agreed to postpone changing the existing stop/loss provision. What has been done since that time to modify the stop/loss section of the agreement?

Mr. GABRIEL. With the agreement which is currently before the reinsured companies for signature and inception with the 1991 crop year which begins July 1, 1990, the FCIC has adjusted the gain and loss sharing and stop/loss provisions of the agreement to require that companies, on a state by state basis, may not realize a gain if the overall book of business sold by that company for that state suffers a loss, without regard to the effect of various stop/loss provisions which the company may have invoked. This approach is consistent with counsel's concerns regarding gain and loss sharing and with normal insurance industry practice permitting limited transfer of risk under reinsurance agreements. The FCIC will continue to review this matter, if the present program is retained, to assure greater assumption of appropriate risk by reinsured companies.

REORGANIZATION OF CLAIMS AND PROCESSING

Mr. WHITTEN. There have been several problems concerning the prompt payment of claims by FCIC. Last year you conducted a major reorganization in the Kansas City Claims Office. Please bring us up to date on the status of the reorganization and any impact that you have seen in the ability to process claims to the farmer.

Mr. GABRIEL. Our reorganization was completed in April 1989. Essentially, we put the Kansas City Claims Office, the Field Service Offices and the associated Automated Data Processing under a single Assistant Manager for Claims and Field Services. Since then we have achieved a level of customer service we are both pleased and proud of. In crop year 1989, we handled over 65,000 claims; ninety-five percent of these were processed within thirty days. In fact, eighty-one percent were processed within fifteen days.

ARTHUR ANDERSEN & CO.

Mr. WHITTEN. In September 1989, the accounting firm of Arthur Andersen & Co. completed a study requested by the Corporation. The review focused on two aspects: one was the level of reimbursement rates paid by reinsured companies and master marketers; second was the cost incurred by FCIC in connection with the program. While the review recommended several changes in the program, for the most part it was inconclusive in its recommendations, particularly in the review of costs incurred by FCIC. For the record, would you please provide a synopsis of Arthur Andersen and Company's recommendations?

[The information follows:]

SYNOPSIS OF THE ARTHUR ANDERSEN & CO. RECOMMENDATIONS

1. FCIC should decide what program goals and objectives it wants to accomplish through its private delivery system(s) and develop contracts/agreements and programs to meet those goals and objectives. These goals and objectives should be clearly defined and prioritized and receive significant consideration in the design of agrements and reimbursement methodologies.
2. Following the actions taken in Recommendation #1, the applicable contractor agreements should be revised to include specific contractual performance standards and guidelines, including at a minimum: costs and functions/services considered appropriate for reimbursement and those that are not appropriate, acceptable error rates and tolerance levels, penalties for contract non-compliance, proper form and timing of reports and methods to ensure compliance with contract provisions.
3. FCIC should consider modifying the current reimbursement structure to allow payments to be made to contractors based on the three most significant factors which impact a contractor's costs in selling MPCI: premiums collected, policies written and claims adjusted. The payments related to each factor should be based either on a fixed unit cost or on a variable cost to be determined based on the FCIC allowable expenses incurred.
4. A more thorough evaluation of the relative costs associated with the two delivery systems should be performed, considering how each contributes to the furtherance of the program goals and objectives mentioned in Recommendation #1 above. This evaluation should not rely solely on bottom line costs and should include the

relatively sensitivity to increases/decreases in business volume and changes in program goals and objectives.

Mr. **Whitten**. What is the status of FCIC's implementation or review of the Arthur Andersen and Company's recommendations?

Mr. **Gabriel**. The FCIC staff completed an initial review of the findings and recommendations of the Arthur Andersen & Co. report and made a number of recommendations to the management based on that report. These recommendations are under consideration at this time, particularly in light of the Administration's fiscal year 1991 budget proposal which eliminates the current program at the end of the Crop Year 1990 sales season. I will provide for the record a list of the recommendations that have been implemented in whole or in part.

[The information follows:]

Implemented Recommendations of the Arthur Andersen & Co. Report

1. Based on the Arthur Andersen findings, we have made no changes to the current reimbursement rates of 20 percent and 34 percent to the MMA's and reinsured companies respectively.
2. We have begun requesting line item cost reporting—once a year—from the reinsured companies, effective with the 1991 reinsurance year, to collect cost data for future analysis and comparison with Arthur Andersen results.
3. In addition to the cost reporting, FCIC has also published costs that are allowable as well as costs that are not reimbursable under the Agreement. Our source document for disallowed costs were costs excluded under the Federal Acquisition Regulations—FAR, as well as costs peculiar to FCIC—such as, state premium taxes are not reimbursable under the 1991 Agreement.

Mr. **Whitten**. What was the cost of the contract to Arthur Andersen and Company to complete this study?

Mr. **Gabriel**. The total cost of the Arthur Andersen & Co. study was $412,989. This included eighteen major reviews and many site visits for ten reinsured companies, seven sales and service contractors, as well as a study of FCIC costs.

SUMMARY OF CROP INSURANCE OPERATIONS

Mr. **Whitten**. For the record, please provide a copy of the table summarizing the estimated level of crop insurance operations for crop years 1989, 1990 and 1991 that appears on page 13-12 of the explanatory notes.

Mr. **Gabriel**. I will provide a table for the record that summarizes the estimated level of crop insurance operations under existing legislation for crop years 1989, 1990, and 1991. These indicators form the basis of program delivery costs.

[The information follows:]

	Crop year—		
	1989	1990	1991
Premiums (thousands)	$800,0000	$650,000	$677,300
Government operations	104,000	84,500	88,049
Reinsurance operations	696,000	565,500	589,251
Premium Subsidy included above (thousands)	200,000	162,500	169,325
Insurance in force (thousands)	13,079,650	10,627,216	11,073,559
Insured acres (thousands)	99,875	81,149	81,149
Counties	3,019	3,019	3,109

—Continued

	Crop year—		
	1989	1990	1991
County programs	20,507	21,347	21,347
Loss ratio	1.70	1.50	1.50

CLOSE-OUT COSTS FOR PROGRAM

Mr. **Whitten**. As part of the budget request to terminate the crop insurance program, you have indicated a need for $72,853,000. Are all these considered close out costs for the program?

Mr. **Gabriel**. The $72,853,000 is needed to cover the Federal salaries and expenses required to administer the business related to fiscal year 1990 sales. It does not include any funds for fiscal year 1991 commissions and contractor expenses because insurance sales under proposed legislation are programmed to cease with the fiscal year 1990 crop year.

Mr. **Whitten**. Mr. Skeen?

Mr. **Skeen**. Thank you, Mr. Chairman.

Mr. Secretary Vautour, Mr. Gabriel, good to see you.

The Chairman said something about laying it on the line. I think this is a good opportunity and as good a time as any to really lay it on the line. We keep monkeying around with these programs through the years, and we are never quite satisfied with one, yet I have the feeling that we really don't know where we are going.

We have failed programs, maybe crop insurance has been one. However, I had the feeling that it was at least an attempt to teach the agricultural community something it had not learned in all its years of operation.

I think agriculturalists are apt students. There are marketing tools available to them. I thought the crop insurance program probably had that potential. It got out of hand. I don't think there is any question about that. It had a good base and a good start. It was a before the fact tool, not an after the fact one.

If we fall back into what we call disaster payments, I think the programs are aptly named; disaster programs. They were disasters as well. I don't think they really fit the situation as it was.

So what I am concerned about is how confused are farmers today about crop insurance? I believe they are very confused.

Many of them have been told they had to have crop insurance on which to become eligible for operating loans. I am still certain this is a fact. This was a before the fact innovation for them.

The Administration's proposal regarding crop insurance has not helped the situation a whole lot. I hope that you recognize the problem, and I am sure you do, and that you are concerned about it.

I would like for you to say; are you aware of the confusion? Are you concerned about it?

Mr. **Vautour**. Mr. Skeen, I think there is no question that the American farmer has been confused, he has been especially confused in the last 10 years.

I think much of that blame lies right at our doorstep. I don't for a moment blame the Congress for any of the confusion that exists, but we have been——

Mr. **Skeen**. Thank you for the absolution, Mr. Vautour. We are as helpful as anybody in confusing people.

We will go from there. Let's be partners.

Mr. **Vautour**. You used the correct terminology. We tinkered with the program for 10 years. Every time we made a change, we seem to have gone from bad to worse.

The program desperately needs fixing. Rates are not actuarially sound. The farmer in the marketplace has rejected it. I happen to be one of those who thinks that the market place is the most powerful message center, if you will, that exists. They have clearly sent the message to us that the product as it's currently composed is inadequate, poorly conceived, too expensive and does not actually do the job.

You have heard the analogy of voting with their feet. The farmer may be a lot of things, but he is not stupid. The farmer voted with his money.

Mr. **Skeen**. Having been in agriculture all these years, I can guarantee you one thing; we are enduring but not stupid.

However, I don't agree with you they voted against the program.

I think, first of all, those of us in agriculture and working with agricultural committees understand how very difficult it is to change the way of doing business.

We maybe have given it a fair shot. On the other hand, it was sort of a half-hearted, reluctant sad kind of operation. I think it was an improving program. I really am concerned that stopping it summarily in the middle of this situation is not going to help at all. I have some real misgivings about that part of it.

The program participation was too low. Yes, it was, but it was increasing. But I think Congress and the Administration keep saying—it is not going to work.

We would rather stand here and tell you something isn't going to work based on whatever nebulous kind of statistics and figures we can drum up rather than say, well, what is it we can do? What is the alternative to make it work?

I hope the Administration is willing to consider at least some alternatives in trying to improve the system.

I am concerned if we go back to a straight disaster program, we will have just that. It is an after the fact thing. You have to have a disaster. We go through the same old problems we had; they were worse than the crop insurance situation by far.

Are there alternatives you would be willing to consider? Is there any—at least any spark at all in the Administration?

Mr. **Vautour**. Well, the Secretary is on record, as I am, that certainly we are willing—we stand ready to work with Congress.

I will readily admit to you that the program as it currently exists needs fixing. I will also admit to you that we are not smart enough to have come up with an answer that will make it work.

If the Congress has got something that will work, we certainly will work with them. We have not closed the door by any means.

Mr. **Skeen**. You are relying on the fact that neither one of us wants the ball.

I really hope that—if there is something that can be done—I think we should be charged with the responsibility to get it done. It is funny to sit up here on this side of the table and comment on what are you doing, why aren't you doing this, what kind of alternatives do you have, why don't you believe in your program, when it is us up here that have to initiate the program. We don't want the ball either.

It is time we got together and say, look, is it a good program? This one I thought had a lot of merit because it involved the private sector. It incorporates into it, for the first time, that the private sector lending agencies have a part in agriculture, not just a position of sitting there waiting to pick the crop after you lost the farmer.

The Chairman alludes to that very well. That is exactly what the problem has been in the history of agriculture. Everybody loves to live off agriculture until it fails. Then all we want to do is pick up the marbles and hire somebody else to run the show.

It can't go on like that. There are fewer and fewer people willing to get into it. We ought to come up with workable programs. I think it is a good challenge from your side of the table. If you have something to offer, we ought to work with you and try to make it work.

I just hope there is somebody in the Administration who is willing to listen.

Mr. VAUTOUR. We are more than willing to listen, Congressman. We are anxious for anybody to come up with any suggestions, a combination of what we propose versus what exists now, whether our proposal is the soundest one or not. As I said, it was what we could come up with within the confines of the budgetary constraints.

We could probably fix the program. Whether we could do that within the confines of the budget and the budgetary impact is quite another matter.

Mr. SKEEN. I understand that. I understand the crunch, too. They are looking at you with the dollar figures right now. That is a pretty good impetus.

Somewhere along the line we have to come up with ideas that when we try to sell it in the country they can believe in it and rely on it, that we are going to stick with it.

I am not castigating you folks. I am castigating the whole system, ourselves included. We have a very serious situation in agriculture. It has not improved in 30 or 40 years. It is a slow, eroding process. Fewer and fewer people are willing to take on the opportunities of doing risk investment in agriculture.

The funding mechanisms are still bad, terribly bad, in covering those kinds of risks.

When you go to a banker, you don't have anything to sell to him other than: "Well, if the weather cooperates and all the other risk factors are wonderful, there is enough labor to harvest, if the creeks don't rise, the hail doesn't come down, we may make it."

Mr. VAUTOUR. Congressman, we hope the proposals we put forward are not looked upon as the total and only answer.

Mr. SKEEN. I appreciate that.

Mr. **Vautour**. We hope the industry would be able to write under or over the basic standing proposal we have made. We hope that would be possible.

We think that the proposal we put forth is the simplest, probably the easiest, and the most understandable program we have been able to come up with, even in the last 10 years.

But we would depend, I think, on the private sector to augment the proposal that we have.

Mr. **Skeen**. I hope we can keep that line of communication and those opportunities open. That is the thrust of whatever question I had for you folks today—what kind of attitude do you have about being open, about making some of these situations work?

It hasn't been a happy picture under FCIC, disaster loans, or anything else. We either have to come up with something that works or makes sense. I understand the immediate problem is what are you going to do to cover the situation as it is now with the dollars available to you.

Mr. **Vautour**. Exactly.

Mr. **Skeen**. That is exactly what the problem is. I appreciate your effort. I appreciate your openness and willingness to cooperate.

Thank you very much for the response.

Thank you, Mr. Chairman.

Mr. **Vautour**. Mr. Congressman, thank you. We are not cast in concrete.

Mr. **Whitten**. Mr. Smith?

Mr. **Smith**. I really had only one question.

We talked in previous years about trying to identify those counties that have failed to produce enough premiums each year to offset losses after eliminating the cost of administration. I am not putting it very clearly.

In other words, those counties where outlays exceeded premiums by about 140 percent. Have you ever identified those counties?

Mr. **Gabriel**. Yes, sir.

Mr. **Smith**. Counties that have produced a loss in every single year?

Mr. **Gabriel**. Mr. Smith, I can't tell you about every year. We do know of the counties that are consistent.

Mr. **Smith**. Is that list in the record?

Mr. **Gabriel**. I don't have it today, but we can furnish it.

Mr. **Smith**. I think it would be good, if it is all right with the Chairman, to put that in the record.

[**Clerk's note**.—The information provided is too lengthy to report and will be retained in committee files.]

Mr. **Smith**. When we revised the crop insurance program to eliminate disaster assistance, that was the trade off.

One hundred and twenty counties were added that were high risk counties.

Since that time, it seems to me that in some of the lower risk counties, the premiums have been so high that it causes farmers to not want to be in the program. These are the counties where the premiums should be low enough to have everybody in the program.

It seems to me we have to get around to identifying the counties where the risk is just so great that we need a special program. If they are to get disaster assistance, or whatever it is, so what.

But don't try to carry them as part of the cost of crop insurance. Do you agree with that?

Mr. GABRIEL. Yes, sir.

Mr. SMITH. That is all I have, Mr. Chairman.

Mr. VAUTOUR. I would add, Mr. Smith, I wish all states in the union had as good a track record in crop insurance as your state does.

Mr. SMITH. Well, I do, too. There, again, some of the people that should be in the program claim the premium is so high compared to the relatively low risk of a loss that they feel like they want to be in the program, but they can't.

Mr. WHITTEN. Mrs. Smith?

Mrs. SMITH of Nebraska. Mr. Chairman, you asked me if I was going to have any success over there. I had a partial success because I have a promise for a rehearing within 60 to 90 days. So maybe they will listen better the next time.

Mr. WHITTEN. We were just interested.

Mrs. SMITH of Nebraska. I know, Mr. Vautour and Mr. Gabriel, you are both very much aware of the dry bean and also the grain sorghum producers' concerns about the price elections for their crops.

We certainly appreciate your going out there, as I said earlier, Mr. Gabriel.

Will the FCIC be taking steps to correct the 1990 price elections for navy beans and grain sorghums; and if FCIC is continued, would it be corrected in the future?

Mr. GABRIEL. Mrs. Smith, first of all, let me say this. Based on the information we had available to us in 1989 in April, May, June, we had very limited information on dry beans. Your people have been very good, but we have very limited information on it.

The prices were struck so that we could announce them October 1. We came up with those in mid-July so that we could go to press.

We do not have plans to change the prices for 1990. We certainly, assuming the program is ongoing, will be taking a close look at it for 1991.

In fact, we have been meeting with representatives of the various bean groups throughout the country, North Dakota, Minnesota, the Michigan people as well as the Nebraska people.

The information is very sketchy on dry beans; and we don't know yet what the market price is going to be this fall. The price elections we have, you know, are on so many types of beans within the dry bean area. It is not just the northerns, which are grown in North Dakota, and the pintos and this type of thing in Nebraska.

Turning to grain sorghum, 1989 was the first year that we came out with a market-based price election that we issued in the spring; the experiment was on soybeans.

In 1990, we agreed that we would also add corn and wheat. On February of 1990, a market price announcement was made that we did add on corn.

We also added wheat, and that was announced the first of September last fall.

I think we are seeing a lot of benefit to this. I think in the future you will see, assuming there is a program, considerably more crops for market price elections for the high price.

Mrs. SMITH of Nebraska. My next question is about wheat.

Under the law, data must be filed by June 1 of 1990 for the 1991 wheat insurance.

The enrollment deadline is September 30, 1990, for the 1991 crop year. What is FCIC doing or planning to do for wheat planted this fall? Will insurance be available?

Mr. GABRIEL. We are continuing to operate under the current legislation. We will continue the make the price announcement and everything.

As to whether the insurance is available, I believe that is going to be up to Congress as to whether we get an appropriation to continue.

Mrs. SMITH of Nebraska. I am aware of that. Thank you very much.

Mr. WHITTEN. Mr. Akaka?

COMMISSION PROPOSAL IMPACT ON PROGRAM COSTS

Mr. AKAKA. Mr. Vautour, your statement forecasts program costs near $1 billion for crop insurance in 1991. This for a product categorized as inadequate, complicated, expensive, and actuarially unsound.

The Commission for the Improvement of the Federal Crop Insurance Program recommended improvements estimated to add $200 million to program costs. Are the costs resulting from the Commission recommendations included in your 1991 program costs estimate?

Mr. VAUTOUR. The recommendations of the Commission which would have added those costs have not been implemented by the FCIC; therefore, the costs are not included in the Budget estimate provided for program costs under existing authority. Were those costs to be included, premium income and anticipated indemnities would be increased by the amount indicated, and outlays for premium subsidy and administrative expense, which are related to premium levels, would also increase.

Mr. AKAKA. What impact would the Commission proposal have upon future program costs?

Mr. GABRIEL. The FCIC has made some very rough estimates of expected costs for implementing the Commission's recommendations regarding expanded alternatives for yield determinations and price elections, as well as increases in the level and distribution of subsidies and recommendations regarding program expansion. Obviously many of the recommendations are inter-related, and some are mutually exclusive. However, a base cost estimate for acceptance of most of the recommendations would be an increase in cost of $600 plus million based on the current premium level of $800 million. Costs would increase accordingly for any increases in business generated by the recommendations.

IMPACT OF PROPOSED TERMINATION OF CROP INSURANCE

Mr. **Akaka**. The Administration proposes to terminate crop insurance sales after 1990 and substitute permanent disaster assistance legislation. What impact do you expect this proposed change to have upon insurance sales in 1990?

Mr. **Gabriel**. Since producers are aware that crop insurance is the current safety net provided by the government, and since many producers have been required to take crop insurance as a result of the receipt of 1989 disaster payments, we do not expect the announcement to have any substantial impact on 1990 sales. Indeed, current indications from sales reports on winter wheat would indicate that producers are continuing to utilize the crop insurance program.

FIVE-YEAR MARKETING PLAN

Mr. **Akaka**. In light of the alternative insurance proposal sought for the 1991 crop year, what changes do you anticipate making in your five-year strategic marketing plan?

Mr. **Gabriel**. If the Congress acts favorably on the President's Budget request, the FCIC program would be terminated and no long-term implementation of the marketing plan would be forthcoming. For the time being, the FCIC continues to operate its program in accordance with previous plans, particularly with regard to the 1990 crop year.

Mr. **Whitten**. What we have is a deficiency payment that is identified and claimed to be an insurance program. Insurance has to be actuarially sound or else it is a government subsidy. That is what it is.

A trial run, 10 years is a pretty long time. We seem to lose and lose and lose and lose.

So some change has to be made. The thing that bothers me here is this continuance of contract along with a note saying I don't know whether the Congress will come up with the money or not. That is the situation.

I am trying to let the record show we don't know whether we could find the money or not. We bailed out this program repeatedly. We bailed out PIK. If it hadn't been for us—you'd have the farmer in the hole. What could we do except bail them out?

Mr. **Skeen**. Mr. Chairman, you are precisely right. You haven't been wrong in one utterance at all. We are also behind the cover. Then we tell the farmer he has to get the heck way out ahead.

Mr. **Whitten**. For years we let the farmer sell his product for what he could get. During the history of agriculture, when Mr. Benson was Secretary, the administration had the view that if you needed more product then raise the prices, because the farmer would produce more. If you needed less product, then reduce the price. Mr. Benson never did accept the fact that if you reduced the price by unit, the farmer has to come up with more units to pay his cost.

Right now we have folks running around the world saying to other countries we will provide you food. In World War II, we called on the farmer to produce from fence row to fence row. When the war was over, we gave industry $20 billion to reconvert to peace time use and we gave the farmer nothing.

At one point in history the cotton farmer couldn't get but 46 cents a pound selling cotton to Spain, but Spain turned around and sold American cotton for 96 cents. Even Ben Franklin was talking about how ridiculous our agriculture policy was. Everything was wrong.

They are still at it.

It leaves the Committee where we have to pick up and do the best we can to keep this and other programs going. We accept that responsibility. We can't help but point out many of the causes. The law is still there, that allows the buyer to pay a fair price; but the Department won't use the law.

I don't question anybody's good intentions here. We darn well are going to have to bite the bullet on this insurance program, as they say, because it doesn't seem right when you say it doesn't work, it hasn't worked, and we recommend it. Then you let somebody sell insurance but say we don't know if Congress can pay for it or not.

I don't know if we can. We have been doing it, even though the insurance program is unsound. We recognize you have to keep agriculture solvent or the country goes down.

We already have with a debt of $3 trillion. We will never be able to pay the debt with savings on our grocery bill. We are going to have to start producing. You have to start regaining a domestic market as well as going to a foreign market.

We live in a competitive world. We are the only country in the world that has a program where we just let everybody have our markets. We then go around begging foreign countries to let some of our goods into their country. It won't work. We better wake up before it is too late.

Recently I read where someone had described some bank in the Northeast as being too big to go broke. What it meant was the bank was so big you couldn't afford to let it go broke.

We have always come up with the money needed to keep the farmer in business. We can't afford to have them quit. We have been following a policy where we put every country in the world in competition with us.

We have a policy that has allowed for equal trade in our country but not in theirs.

We have had a run at this insurance program; it looks like we will have to bail it out because of shortsighted purposes. From listening to the testimony what we have here, whatever we may call it, is a deficiency payment which is called an insurance program.

As I say, agriculture is our biggest industry. We on this committee and our recommendations—we don't speak for the Congress—we have to recognize that and do what we can to keep agriculture going because if we don't the whole country will go under.

If we keep up present policies, we may face what Germany did a number of years ago when they had to set up a new financial system. We will have to have the Federal Reserve print money.

Sooner or later you have to face facts. Right now we are facing about a $3 trillion debt.

Thank you very much. As I said, again, we can argue about who caused these agriculture and insurance problems, but we better face up to them. We will never solve them unless we face up to the facts.

Thank you very much.

Mr. VAUTOUR. Mr. Chairman, thank you.

Mr. GABRIEL. Thank you, Mr. Chairman.

U.S. DEPARTMENT OF AGRICULTURE

FEDERAL CROP INSURANCE CORPORATION

Biographical Sketch—David W. Gabriel

Formerly a resident of Aurora, Colorado, David W. Gabriel is currently the Acting Manager and the Assistant Manager for Program Administration for the Federal Crop Insurance Corporation (FCIC). He is responsible for directing FCIC's marketing and reinsurance functions in addition to serving as Acting Manager for the Corporation. Mr. Gabriel is relatively new to the Federal Crop Insurance Corporation, having been appointed in August of 1986.

Before coming to Washington, Mr. Gabriel retired in the spring of 1986 from the National Farmers Union Insurance Companies in Denver, Colorado, having been the Senior Vice President of the property-casualty companies for 6 years.

From 1967 to 1980, Mr. Gabriel was Vice President and Manager of the Crop-Hail Insurance Department of the National Farmers Union Insurance Companies, where he managed the underwriting, marketing, and reinsurance functions.

In the 1960's, Mr. Gabriel managed the merger of the farm property and crop-hail divisions of Fireman's Fund and American Insurance Companies, including the implementation of new systems and procedures.

Mr. Gabriel was a member of the Executive Committee and President of the National Crop Insurance Association. He has been chairman of the Actuarial and Forms Committee and a member of the Executive Committee of the Crop Hail Insurance Actuarial Association.

Mr. Gabriel started his insurance career as a special agent and supervisor for the Home Insurance Company in 1948, after finishing college and 2½ years in the Army Air Force during World War II.

He received a Bachelor of Arts degree from Parsons College in Fairfield, Iowa.

Mr. Gabriel lives with his wife Carol in Arlington, Virginia.

FEDERAL CROP INSURANCE CORPORATION

Statement of David Gabriel, Acting Manager, Federal Crop Insurance Corporation, United States Department of Agriculture, before the Subcommittee on Rural Development, Agriculture and Related Agencies.

Mr. Chairman and members of the Subcommittee:

It is a pleasure for me to appear before this subcommittee to present the 1991 Budget for the Federal Crop Insurance Corporation.

The Federal Crop Insurance Corporation is submitting for fiscal year 1991, budget proposals under existing legislation and under proposed legislation.

Under forthcoming proposed legislation, the administration will propose the termination of the current program effective with the 1990 crops. Under existing legislation, Federal funding would continue for the administrative and premium subsidy expenses of the program.

I will discuss in detail, the budget request under existing legislation.

CROP YEAR 1989 EXPERIENCE

Insurance sales rose in 1989, largely impelled by the experience of the 1988 drought and also linkage to the receipt of disaster assistance. The President's 1991 budget submission reflected a 1989 premium of $800 million with a loss ratio of 1.7, and indemnities of $1.4 billion.

More recent data reflect premiums totalling $815 million and a loss ratio of 1.5, implying total indemnities of $1.2 billion.

The 1991 budget projections reflect the expectation that insurance sales will fall back toward historical levels from their post-drought peak. Participation since 1980 has averaged less than a third of those eligible, rising to close to half for 1989. Experience for the 1990 crop year is as yet unknown, but is expected to be closer to $650 million in premium than $800 million in 1989. The 1991 budget figures project $677 million in premium (allowing for inflation over 1990) with a loss ratio of 1.5, reflecting historical experience.

Since the enactment of amended legislation in 1980, insurance has expanded from 1,676 counties to over 3,000 counties in 1989. County programs have increased almost 450 percent, from 4,629 in 1980 to 20,507 in 1989. Crop insurance was available in 50 states in 1989 and in all agricultural counties on acreage previously covered by disaster payments.

Acres insured, insurance in force, and premium have also increased substantially. In 1980, acres insured were 26.6 million compared with over 99 million for crop year 1989. Insurance liability in force has also increased for the same period, from $3 billion in 1980 to $13.3 billion in 1989. Premium has increased from $158 million in 1980 to over $800 million in 1989.

The President's 1991 Budget submission for crop year 1989 insurance operations reflected premiums for the reinsurance share at $696 million and indemnities of $1.2 billion, with the remaining premiums of $104 million handled by master marketers with indemnities of $176.8 million. The loss ratio for both delivery systems was estimated at 1.70; total indemnities, $1.4 billion.

Current estimates for 1989 reflect premiums totaling $815 million with $724 million from reinsurance, and $91 million from master marketers and a combined loss ratio of 1.50 which would result in reinsurance indemnities of $1,083 million and master marketer indemnities of $139.5 million.

Our budget request for fiscal year 1991 is as follows:

FISCAL YEAR 1991 BUDGET REQUEST, CURRENT LEGISLATION

ADMINISTRATIVE AND OPERATING EXPENSES

If we were to continue to offer crop insurance in 1991, under existing legislation program costs would be in the neighborhood of $1 billion. Close to half of that amount, about $430 million, would go to cover administrative and operating expenses, which includes $218 million for commissions paid to the private insurers who sell and service about 87.5 percent of the policies and $24 million for sales & service expenses on federal policies which make up the remaining 12.5 percent. Another third of that total $900 million would be required to pay excess losses, meaning that portion of indemnities not covered by producer paid premiums covered plus subsidy. The need for these funds, which are transferred from the Commodity Credit Corporation, arises from the chronic actuarial unsoundness of the program. A final $170 million, 20 percent of the total estimated cost, is requested to cover the 25 percent subsidy of farmer premium.

I will now provide a more detailed breakdown of the appropriation requested to cover commissions, operating expenses, and premium subsidy.

-- $314.4 million for Administrative and Operating Expenses to fund the expanded crop insurance program, including,

-- $218.0 million for reinsurance expense reimbursements,

-- $24.2 million for FCIC master marketing expenses and loss adjustment contracting, and

-- $5.2 million to reimburse ASCS for services performed under the ASCS National Agreement.

These amounts total $247.4 million, vary directly with the volume of business, and account for 79 percent of the Corporation's total request for administrative and operating expenses.

$67.0 million will be used for the expenses of the Federal Crop Insurance Corporation to maintain field underwriting offices, field service offices, field compliance offices, the Kansas City Operations office--which includes corporate computer support, actuarial activities, claims processing, office automation, and management information costs--and the Headquarters staff.

In total, our fiscal year 1991 request for Administrative and Operating Expenses represents an increase of $91.7 million over the fiscal year 1990 appropriations. This increase is directly related to the premium level and provides for full funding of program expenses in the A & O account that were previously paid out of the Fund.

PREMIUM SUBSIDY

--$169.3 million for premium subsidy for fiscal year 1991. This amount represents 25 percent of the expected premium of $677 million, as authorized by the Federal Crop Insurance Act of 1980, as amended. The $677 million premium level would provide crop insurance to an estimated 81.1 million insured acres.

This represents an increase of $35.2 million over the fiscal year 1990 premium subsidy appropriation, which was based on a lower premium level projected at the time the 1990 budget was prepared. In fiscal year 1990, the premium subsidy actually required was $162.5 million with only $134.1 million requested and provided by appropriation. The fiscal year 1990 unfunded portion will be financed out of the Funds' unearned excess premium subsidy account. In order to maintain a proper reserve in the Fund, it is necessary to obtain the subsidy by appropriation in fiscal year 1991.

REIMBURSEMENT OF PRIOR YEAR ADMINISTRATIVE EXPENSES PAID FROM FCIC FUND

--$117.4 million for reimbursement to the FCIC Fund for administrative expenses incurred in FY 1989, but not previously reimbursed.

USE OF COMMODITY CREDIT CORPORATION FUNDS

--FCIC is currently reflecting the use of Commodity Credit Corporation funds in the amounts of $150 million in fiscal year 1990 and $300 million in fiscal year 1991 as a reserve against continued, unavoidable losses in crop years 1990 and 1991.

TOTAL REQUEST

This represents a total appropriation request for fiscal year 1991 of $601.1 million for on-going programs. This request is $215.5 million higher than the total 1990 appropriations for on-going programs. This request is necessary in order to maintain the financial stability of the Corporation.

FISCAL YEAR 1991 BUDGET REQUEST - PROPOSED LEGISLATION

The Administration proposes to terminate crop insurance sales with the 1990 crop year. In 1991, growers would be protected from catastrophic loss by a safety net provided by proposed permenent disaster assistance legislation.

Under the proposed budget, insurance sales would cease after the 1990 Crop Year. Budget Authority will include sufficient funding to maintain staff-years at the current level of 865 through fiscal year 1991. The outlays for fiscal year 1991 will be limited to $450 million to cover prior year obligations and 1991 administrative costs.

This concludes my statement. We will be glad to answer any questions or furnish any additional information that you may desire.

FEDERAL CROP INSURANCE CORPORATION

Purpose Statement

The Federal Crop Insurance Corporation is a wholly-owned Government Corporation created February 16, 1938 (7 U.S.C. 1501). The program was amended by P. L. 96-365, approved September 26, 1980, to provide for nationwide expansion of a comprehensive crop insurance program. The purpose of the Corporation is to promote the national welfare by improving the economic stability of agriculture through a sound system of crop insurance.

The Federal Crop Insurance Corporation is charged with providing an actuarially sound, cost-sharing insurance program for agricultural producers to protect against production losses due to unavoidable causes. The expanding crop insurance program constitutes a joint effort of the Government and the private insurance industry, both reinsured companies and sales and service contractors.

Major Activities

The Federal Crop Insurance Program comprises the following major activities:

(1) Underwriting, Actuarial, and Program Development which consists of the development by the Corporation of crop insurance programs and the establishment and maintenance of rates and coverages for crops in each county; (2) Reinsured Companies which consist of private insurance companies reinsured by FCIC which market and fully service (including loss adjustment and claims processing) policies of crop insurance and bear some risk on such policies; (3) Agency Sales and Service Contracts and Loss Adjustment consists of contracting with private insurance entities which sell and service FCIC crop insurance policies, but are not at risk. (These entities are commonly known as Master Marketers). This activity also includes contracting with independent claims adjusters who perform loss adjustment services for insureds holding FCIC policies, and the development of claims procedures; (4) Program Administration, which consists of the development and administration of reinsurance agreements and agency sales and service contracts, and development of strategies for increased participation in the crop insurance program; (5) Program Management and Administrative Support, includes the Board of Directors, the Manager's Office, staff offices reporting directly to the Manager's Office, as well as personnel management, finance and accounting, and support services, additionally, the compliance function is included in this program, providing oversight and quality control of reinsured and FCIC program service operations.

The 1990 crop insurance program will operate in over 3,000 counties, and approximately $13.3 billion of insurance coverage will be provided on almonds, apples, barley, dry beans, canning and processing beans, citrus, citrus trees, corn, cotton, ELS cotton, cranberries, figs, flax, forage production, forage seeding, grain sorghum, grapes, table grapes, hybrid seed (corn & grain sorghum), macadamia nuts, macadamia trees, nursery stock, oats, onions, peaches, peanuts, pears, peas (green and dry), peppers, popcorn, potatoes, prunes, raisins, rice, rye, safflower, soybeans, stonefruit (CA only-apricots, nectarines,and peaches), sugar beets, sugarcane, sunflowers, sweet corn, fresh market sweet corn, tobacco, tomatoes (fresh), canning and processing tomatoes, walnuts and wheat.

A Prevented Planting option is offered for ASCS program crops only, which consist of barley, corn, cotton, grain sorghum, oats, rice and wheat. It is estimated that about 100 million acres will be insured for the 1990 crop year.

General Administration

The various crop insurance programs are planned, developed, and monitored by the FCIC headquarters office located in Washington, D.C., and its national operations office located in Kansas City, Missouri. The program is administered in the field through 16 field service offices and 11 field underwriting offices. Selling and servicing at the county level is performed primarily by agents operating for Federal contractors (under Agency Sales and Service agreements) and agents of reinsured companies. The adjustment of losses is performed by reinsured companies for their policies and by loss adjusters under contract with FCIC for FCIC policies sold by master marketers. ASCS provides some support on a reimbursable basis for the Corporation.

The Agency Sales and Service Contractors process and electronically transmit to the Kansas City mainframe computer, all data from Federally-insured policies except claims. The Kansas City, Missouri, office assists in the processing of all insurance documents (except those of the reinsured companies), records detailed accounting and statistical data, and prepares the required accounting, statistical, and management reports for business from all sources. This function is essentially automated.

As of September 30, 1989, there were 878 total employees with 714 permanent full-time and 164 other employees. Of the total employees, 99 permanent full-time and 7 other were located in the Washington, D.C., office.

A summary of changes in capital for fiscal year 1989, and estimates for fiscal years 1990 and 1991, follows:

	F.Y. 1989 Actual	F.Y. 1990 Estimated	F.Y. 1991 Estimated
Net capital at beginning of year	**$718,000,000**	**$342,155,174**	**$84,453,049**
Additions to Capital:			
Appropriation (Premium Subsidy)	**112,000,000**	**134,077,000**	**169,325,000**
CCC Transfer	400,000,000	150,000,000	300,000,000
Appropriation (A&O. Exp. Reimb.)	-0-	28,862,000	117,368,000
Subtotal	1,230,000,000	655,094,174	671,146,049
Income:			
Insurance Prem. (farmer) FCIC (MMA)	73,498,988	65,568,750	65,637,488
Reinsurance Program	485,839,350	438,806,250	439,266,263
Interest Income (Note 1)	3,999,000	-0-	-0-
Other Income (Note 2)	16,612,716	-0-	-0-
Subtotal, Income	579,950,054	504,375,000	504,903,750
Expenses:			
Government Indemnities	184,209,100	129,675,000	131,541,150
Reinsurance Losses	1,134,985,800	867,825,000	880,313,850
Est. Uncollectible Prem/ Bad Debt Expenses	1,469,980	1,311,375	1,312,750
Adm. Exp. Paid From Fund	147,130,000	76,204,750	-0-
Subtotal, Expenses	1,467,794,880	1,075,016,125	1,013,167,750
Net Income or Loss (-) for the Year	-887,844,826	-570,641,125	-508,264,000
Net Capital at end of year	$342,155,174	$84,453,049	$162,882,049
Analysis of Capital:			
Capital Stock:			
Authorized	$500,000,000	$500,000,000	$ 500,000,000
Unissued	-0-	-0-	-0-
Issued	500,000,000	500,000,000	500,000,000
Treasury Borrowing	113,000,000	113,000,000	113,000,000
CCC Transfer	2,050,000,000	2,200,000,000	2,500,000,000
Paid-in-Capital:			
Paid-in-surplus	39,978,470	39,978,470	39,978,470
Approp. (premium subsidy)	978,604,000	1,112,681,000	1,282,006,000
Approp. (Reimbursement of A&O Expenses)	52,541,000	81,403,000	198,771,000
Cum. surplus(+)/deficit(-)	-3,391,968,296	-3,962,609,421	-4,470,873,421
Net Capital at end of period	$342,155,174	$84,453,049	$162,882,049

Notes to Capital Table:	F.Y. 1989
1. Interest Income.. (Interest received from policyholders and/or insurance companies on amounts owed FCIC.)	$3,999,000
2. Other Income.. a/ (Net credit resulting from final settlement of litigation at amounts less than the estimated liability acrued in previous years.) b/ Prior year premium adjustment as per Fiscal Year 1988 audit: 12,071,716.	$16,612,716

FEDERAL CROP INSURANCE CORPORATION

Available Funds and Staff-Years
1989 Actual and Estimated 1990 and 1991
(Dollars in Thousands)

	1989 Actual		1990 Estimated		1991 Estimated	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
Administrative and Operating Expenses	$201,992	862	$222,694	865	$314,429	865
FCIC Fund:						
Premium Subsidy	112,000	---	134,077	---	169,325	---
Restoration of Prior Year Expenses (Admin. Expense)	-0-	---	28,862	---	117,368	---
Total, FCIC Approp	313,992	---	385,633	---	601,122	---
CCC Transfers	400,000	---	150,000	---	300,000	---
Total, FCIC Available Funds	$713,992	862	$535,633	865	$901,122	865

Full-Time Equivalent Staff-Years:	1989 Actual	1990 Estimated	1991 Estimated
Ceiling	862	865	865
Non-ceiling	10	10	10
Total	872	875	875

FEDERAL CROP INSURANCE CORPORATION

Permanent Positions by Grade and Staff-Year Summary
1989 and Estimated 1990 and 1991

Grade	1989			1990			1991		
	Headquarters	Field	Total	Headquarters	Field	Total	Headquarters	Field	Total
ES-5	0	1	1	0	0	0	0	0	0
ES-4	0	0	0	0	0	0	0	0	0
ES-3	1	0	1	1	0	1	1	0	1
GS/GM-16	0	0	0	0	1	1	0	1	1
GS/GM-15	6	3	9	6	5	11	5	5	10
GS/GM-14	8	4	12	11	1	12	11	1	12
GS/GM-13	38	45	83	44	41	85	47	41	88
GS-12	83	156	239	92	159	251	94	162	256
GS-11	10	144	154	12	174	186	16	177	193
GS-10	2	1	3	0	0	0	0	0	0
GS-9	6	33	39	11	14	25	10	12	22
GS-8	9	2	11	12	2	14	11	2	13
GS-7	39	28	67	35	14	49	30	6	36
GS-6	16	14	30	16	13	29	18	12	30
GS-5	19	75	94	21	60	81	19	60	79
GS-4	14	109	123	7	22	29	6	23	29
GS-3	3	9	12	1	1	2	1	1	2
Total Perm. Pos. a/	254	624	878	269	507	776	269	503	772
Total Staff-Years:									
Ceiling	226	636	862	232	633	865	232	633	865
Non-Ceiling	2	8	10	2	8	10	2	8	10
TOTAL	228	644	872	234	641	875	234	641	875

HEADQUARTERS: Includes Personnel, Finance, Support Services, Claims, IRMB, and Program Management Support Branch, functions located in Kansas City, Missouri.

FIELD: Includes Field Service Offices, Field Underwriting Offices, Compliance Field Offices, and Kansas City Actuarial and Underwriting Offices.

a/ The Federal Crop Insurance Act of 1980, as amended, restricts the Corporation from employing more than 760 permanent full-time employees.

FEDERAL CROP INSURANCE CORPORATION
Classification By Objects
1989 and Estimated 1990 and 1991
(Dollars in Thousands)

Administrative and Operating Expenses:	1989	1990	1991
Personnel Compensation:			
Headquarters a/	$4,972	$5,750	$6,037
Field	21,260	24,515	25,741
11 Total Personnel Compensation	26,232	30,265	31,778
12 Personnel Benefits	5,311	6,192	6,502
13 Benefits for Former Personnel	138	65	89
Total Personnel Compensation and Benefits	31,681	36,522	38,369
Other Object Classes:			
14 Payment From Imprest Fund	1,780	-0-	-0-
21 Travel	2,577	3,622	3,910
22 Transportation of Things	364	553	597
23 Communications, Utilities, and Other Rent	3,650	4,610	4,977
24 Printing and Reproduction	378	831	897
25 Other Services	2,936	3,042	3,866
25 Other Contracts b/	11,185	10,102	12,888
25 ASCS Agreement	5,026	5,022	5,214
25 Reinsurance Admin Expenses	139,783	154,992	218,023
25 Master Marketing Expenses	-0-	-0-	17,610
25 Loss adjustment contracting	-0-	1,422	6,577
26 Supplies and Materials	545	760	820
31 Equipment	1,167	2,110	675
42 Insurance Claims and Indemnities	15	4	4
43 Interest and dividends	5	2	2
Total, Other Object Classes	169,411	187,072	276,060
TOTAL DIRECT OBLIGATIONS, A&O EXP	$201,092 c/	$223,594 c/	$314,429
FCIC Fund:			
Other Object Classes:			
25 Administrative Expenses Paid from FCIC Fund	147,130	76,205	---
42 Indemnities:			
Government	185,679	130,986	132,854
Reinsurance	1,134,986	867,825	880,314
Total Direct Obligations, FCIC Fund	$1,467,795	$1,075,016	$1,013,168
Total Direct Obligations, FCIC	$1,668,887	$1,298,610	$1,327,597
Position Data:			
Average Salary, ES positions	$76,621	$76,621	$83,600
Average Salary, GS/GM positions	$31,811	$31,980	$33,579
Average Grade, GS/GM positions	10.13	10.18	10.18

a/ Headquarters includes all Washington, D.C. employees, and Kansas City, Missouri employees in Support Services, Personnel, Budget, and Finance.

b/ Includes ADP; Internal Management Studies; Statistical Data-NASS, Advertising, National Finance Center, FTS.

c/ Pursuant to the Federal Crop Insurance Commission Act of 1988 (P.L. 100-546), the Corporation made available until expended, a portion of the 1989 appropriation for administrative and operating expenses ($1,500,000), to carry out this act. Of the total amount, only $600,000 was obligated in FY 1989. The remaining $900,000 is expected to be obligated in FY 1990 and is shown as part of the total funds available for FY 1990.

FEDERAL CROP INSURANCE CORPORATION

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Administrative and Operating Expenses:

For administrative and operating expenses, as authorized by the Federal Crop Insurance Act, as amended (7 U.S.C. 1516), [$225,626,000] $314,429,000: Provided, that not to exceed $700 shall be available for official reception and representation expenses, as authorized by 7 U.S.C. 1506(i).

FEDERAL CROP INSURANCE CORPORATION

Administrative and Operating Expenses - Current Law

Appropriation Act, 1990		$225,626,000
Budget Estimate, 1991		314,429,000
Increase in Appropriation		+88,803,000
Adjustments in 1990:		
Appropriation Act, 1990	225,626,000	
Gramm-Rudman-Hollings Reduction (P.L. 99-177)	-2,932,000	
Adjusted base for 1990		222,694,000
Budget Estimate, 1991		314,429,000
Increase over Adjusted 1990		+91,735,000

Administrative and Operating Expenses - Proposed Legislation

Budget estimate, Current Law, 1991	$314,429,000
Change due to proposed legislation	-241,576,000
Net Request, President's 1991 Budget Request	72,853,000

SUMMARY OF INCREASES AND DECREASES - CURRENT LAW
(On basis of adjusted appropriation)

ITEM OF CHANGE:	1990 Estimated	Pay Cost	Program Changes	1991 Estimated
1. Underwriting, Actuarial and Program Develop..	$14,934,000	+383,000	+$504,000	$15,821,000
2. Reinsured Companies....	154,992,000	---	+63,031,000	218,023,000
3. Agency Sales & Service Agreements and Loss Adjustment Contracts.	20,281,000	+811,000	+26,173,000	47,265,000
4. Program Administration.	3,488,000	+65,000	+136,000	3,689,000
5. Program Management and Administrative Supp...	28,999,000	+568,000	+64,000	29,631,000
6. Commission Study.......	900,000	---	-900,000	0
Total Available........	$223,594,000	+1,827,000	+89,008,000	$314,429,000

a/ The total available for 1990 reflects the adjusted base for 1990 of $222,694,000 plus the unobligated balance of $900,000 from 1989 for the Commission Study.

Note: The fiscal year 1990 program level will require paying about $76.0 million in administrative expenses from the FCIC Fund in addition to the amount shown in the table above.

PROJECT STATEMENT--CURRENT LAW
Administrative and Operating Expenses
(On basis of adjusted appropriation)
(dollars in thousands)

	1989 Actual		1990 (Est.)		Increase(+)	1991 (Est.)	
	Amount	SY	Amount	SY	Decrease(-)	Amount	SY
1. Underwriting, Actuarial and Program Development....	$12,723	183	$14,934	183	+$887(1)	$15,821	183
2. Reinsured companies.........	139,783	0	154,992	0	+63,031(2)	218,023	0
3. Agency Sales & Service Agreement & Loss Adjust. Contr.	18,975	381	20,281	384	+26,984(3)	47,265	384
4. Program Administration.......	4,946	31	3,488	31	+201(4)	3,689	31
5. Program Management & Administrative Supp...	24,065	267	28,999	267	+632(5)	29,631	267
6. FCIC Commission	1,500	0	0	0	0	0	0
Total Adjusted Appropriation...	201,992	862	222,694	865	+91,735	314,429	865
Gramm-Rudman-Hollings Reduct.	---		+2,932				
Total Approp......	$201,992	862	$225,626	865			

PROJECT STATEMENT--CURRENT LAW
Administrative and Operating Expenses
(On basis of available funds)
(dollars in thousands)

	1989 Actual		1990 (Est.)		Increase(+)	1991 (Est.)	
	Amount	SY	Amount	SY	Decrease(-)	Amount	SY
1. Underwriting, Actuarial and Program Development....	$12,723	183	$14,934	183	+$887	$15,821	183
2. Reinsured companies.........	257,520	0	209,235	0	+8,788	218,023	0
3. Agency Sales & Service Agreement & Loss Adjust. Contr..	48,368	384	42,243	384	+5,022	47,265	384
4. Program Administration......	4,946	31	3,488	31	+201	3,689	31
5. Program Management & Administrative Supp...	24,065	267	28,999	267	+632	29,631	267
6. FCIC Commission	600	0	900	0	-900	0	0
Unobligated Bal. available SOY...	0		-900		+900	0	0
Unobligated Bal. EOY............	900		0		0	0	0
Total Estimate....	349,122	862	298,899	865	+15,530	314,429	865
Amount Paid from the FCIC Fund....	-147,130	0	-76,205	0			
Total............	$201,992	862	$222,694	865			

EXPLANATION OF PROGRAM

The appropriation, "Administrative and Operating Expenses," of the Federal Crop Insurance Corporation, provides funding for support of program activities authorized by the Federal Crop Insurance Act, as amended (7 U.S.C. 1501-1520).

The fiscal year 1991 appropriation request for administrative and operating expenses will enable the Corporation to provide for expanded program participation at about 45 percent of the potentially insurable acreage, starting in fiscal year 1989, which compares to 24 percent insured in 1988. The major portion of administrative and operating expenses funds the program's delivery systems which are provided by the private sector, as authorized by the Federal Crop Insurance Act under Section 507(c). Program delivery is provided through the following methods:

(1) Reinsured companies provide insurance marketing, underwriting, servicing, training, quality control, statistical processing and reporting, and loss adjustment functions. As risk-bearers, the companies also share with FCIC in both profits and losses. It is estimated that reinsured companies will handle insurance sales amounting to about 87 percent of the premium during crop year 1991.

(2) Agency Sales and Service Agreements (Master Marketing Agreements). Under this type of agreement, private insurance companies and associations are offered the opportunity to contract with FCIC to provide insurance sales and services. They are compensated on a commission basis. It is estimated that for crop year 1991 about 13 percent of the premium will be handled under this delivery system.

(3) Existing ASCS Offices will provide FCIC information and support, collect data and assist FCIC in establishing farm yields. Upon request from FCIC, they will sell and service all-risk crop insurance in existing county offices where an adequate private sales and service force is not available.

The activities carried out by the Corporation follow:

Underwriting, Actuarial and Program Development covers the underwriting function which makes determinations with respect to establishment of insurance coverages and premium rates for different farming practices (summer fallow, continuous cropping, irrigation, etc.) in each county. Also, in each county, insurance coverages and premium rates are broken down by yield groups to reflect variation in productivity and in risk of loss. Crop insurance coverages must be established and maintained for each crop in each county.

Field underwriters review and recommend revision of local rates each year to refine the actuarial structure. In addition, new programs are researched and developed, and existing ones are reviewed for improvement of contract provisions and proposals.

Reinsured Companies - Reinsured companies provide insurance marketing, underwriting, servicing, training, quality control, statistical processing reporting, and loss adjustment functions. The companies also share with FCIC in both profits and losses.

Agency Sales and Service Contracts and Loss Adjustment Contracts - Under Agency Sales and Service Contracts, companies and associations are offered the opportunity to contract with FCIC to provide insurance sales and limited services for policies written by FCIC. For these policies, the loss adjustment work is performed by adjusters under contract with FCIC.

Program Administration - This activity is responsible for the administration of the Reinsurance Agreements and Agency Sales and Service Contracts and developing strategies for increased participation in the crop insurance program.

Program Management and Administrative Support - This activity includes all management and administrative support functions in both Washington, D.C. and Kansas City, Missouri. Included are the following functions: administrative support functions of finance, budget, management services, personnel management for the Corporation, and reviews of the activities of the reinsured companies, master marketers and FCIC loss adjusters, to assure compliance and uniformity in loss adjustment procedures, training development, and quality control methods.

The following table summarizes the estimated level of crop insurance operations for crop years 1989, 1990, and 1991. These indicators form the basis of program delivery costs.

	Crop Year 1989	Crop Year 1990	Crop Year 1991
Premiums ($000).............	$800,000	$650,000	$677,300
Government Operations.....	104,000	84,500	88,049
Reinsurance Operations ...	696,000	565,500	589,251
Premium Subsidy included above ($000)..............	200,000	162,500	169,325
Insurance in Force ($000)...	13,079,650	10,627,216	11,073,559
Insured Acres (000).........	99,875	81,149	81,149
Counties.....................	3,019	3,019	3,019
County Programs.............	20,507	21,347	21,347
Loss Ratio..................	1.70	1.50	1.50

OIG Reports:

05099-1-FM RE: Financial Accounting Interfaces Between FCIC and CHIAA.
Open as of 9/30/89.

05099-6-SF RE: Audit of Potato Insurance Policies.
Open as of 9/30/89.

05099-7-SF RE: Audit of Selected 1986 Processing Tomato Claims.
Open as of 9/30/89.

05099-11-AT RE: FCIC Reinsurance Operations - Mississippi.
Open as of 9/30/89.

05099-12-AT RE: Audit of FCIC Peanut Insurance Claims in Georgia.
Open as of 9/30/89.

05099-20-AT RE: Audit of Unauthorized Use of FmHA Inventory Farm Property.
Open as of 9/30/89.

05099-31-TE RE: FCIC Claims Adjusted by Rain & Hail Insurance Service.
Open as of 9/30/89.

05099-45-TE RE: Audit of ASCS Large Payments and FCIC Indemnity Payments for Crop Year 1986.
Closed upon issuance.

GAO Reports:

GAO/RCED-89-10
October, 1988 RE: CROP INSURANCE: FCIC Needs to Improve Its' Oversight of Reinsured Companies. FCIC responded 12/88.

GAO/RCED-89-19
December, 1988 RE: CROP INSURANCE: FCIC Should Strengthen Actual Production History (APH) Program Controls. FCIC responded. Report closed.

GAO/RCED-89-211
September, 1989 RE: CROP INSURANCE: Crop Insurance Can Provide Assistance More Effectively Than Other Programs. No response required.

JUSTIFICATION OF INCREASES AND DECREASES

(1) Underwriting, Actuarial, and Program Development - An increase of $887,000 ($14,934,000 available in fiscal year 1990), consisting of:

(a) An increase of $504,000 for increased operating costs for a 4.2 percent inflation of non-personnel costs.

(b) An increase of $160,860 for the 1989 pay raise and $222,140, which represents 50 percent of the 1991 pay raise. The remaining 50 percent of the 1991 pay raise and the total 1990 pay raise are being absorbed.

The following table reflects the cost and staff-year distribution of this activity for fiscal years 1990 and 1991:

On the Basis of Appropriation

	1990		1991		Change 1991 over 1990	
	Staff-Years	Cost	Staff-Years	Cost	Staff-Years	Cost
1. Actuarial analysis & program development.	84	$8,946,000	84	$9,528,000	0	+$582,000
2. Field underwriting....	99	5,988,000	99	6,293,000	0	+305,000
Total......................	183	$14,934,000	183	$15,821,000	0	+$887,000

(2) Reinsured Companies - An increase of $63,031,000 ($154,992,000 available in FY 1990) consisting of:

(a) An increase of $8,788,000 for inflation (4.2 percent of non-personnel costs).

(b) The increase of $54,243,000 represents the portion of Reinsurance Administrative expenses estimated to be paid from the FCIC Fund in FY 1990. In FY 1991, this amount is now being requested in the administrative and operating expense account by direct appropriation.

The following table reflects the cost and staff-year distribution of this activity for fiscal years 1990 and 1991:

On the Basis of Appropriation

Function	1990		1991		Change 1991 over 1990	
	Staff-Years	Cost	Staff-Years	Cost	Staff-Years	Cost
1. Reinsurance Administrative Expenses.........	0	$154,992,000	0	$218,023,000	0	+63,031,000
Total..................	0	$154,992,000 1/	0	$218,023,000	0	+63,031,000

1/ Does not include $54,243,000 estimated to be paid out of the FCIC Revolving Fund.

(3) Agency Sales and Service Agreements and Loss Adjustment Contracts - A net increase of $26,984,000 ($20,281,000 available in fiscal year 1990), consisting of:

(a) An increase of $2,576,000 in support costs.

(b) An increase of $340,620 for the 1989 pay raise and $470,380, which represents 50 percent of the 1991 pay raise. The remaining 50 percent of the 1991 pay raise and the total 1990 pay raise are being absorbed.

(c) The increase of $21,962,000 represents the portion of Reinsurance Administrative expenses estimated to be paid from the FCIC Fund in FY 1990. In FY 1991, this amount is now being requested in the A&O expense account by direct appropriation.

(d) An increase of $1,635,000 for inflation (4.2 percent of non-personnel costs).

The following table reflects the cost and staff-year distribution of this activity for fiscal years 1990 and 1991:

On the Basis of Appropriation

Function	1990		1991		Change 1991 over 1990	
	Staff-Years	Cost	Staff-Years	Cost	Staff-Years	Cost
1. Agency Sales and Service Agreements (MMA's)	0	---	0	$17,610,000	0	+17,610,000
2. Loss Adjustment Contracts	0	$1,422,000	0	6,577,000	0	+5,155,000
3. ASCS Agreement	0	5,022,000	0	5,214,000	0	+192,000
4. Field Services	292	10,522,000	292	13,584,000	0	+3,062,000
5. Other (Prog. Supp.)	92	3,315,000	92	4,280,000	0	+965,000
Total	384	$20,281,000 1/	384	$47,265,000	0	+26,984,000

1/Does not include $21,962,000 estimated to be paid out of FCIC Revolving Fund.

(4) Program Administration - A net increase of $201,000 ($3,488,000 provided in fiscal year 1990), consisting of:

(a) An increase of $27,300 for the 1989 pay raise and $37,700, which represents 50 percent of the 1991 pay raise. The remaining 50 percent of the 1991 pay raise and the total 1990 pay raise are being absorbed.

(b) An increase of $136,000 for inflation (4.2 percent of non-personnel costs).

The following table reflects the cost and staff-year distribution of this activity for fiscal years 1990 and 1991:

On the Basis of Appropriation

Function	1990		1991		Change 1991 over 1990	
	Staff-Years	Cost	Staff-Years	Cost	Staff-Years	Cost
1. Program Administration	31	$3,488,000	31	$3,689,000	0	+201,000

(5) Program Management and Administrative Support - A net increase of $632,000 ($28,999,000 provided in fiscal year 1990), consisting of:

(a) An increase of $238,560 for the 1989 pay raise, and $329,440, which represents 50 percent of the 1991 pay raise. The remaining 50 percent of the 1991 pay raise and the total 1990 pay raise are being absorbed.

(b) A decrease of $358,000 in equipment costs related to completion of computer upgrading.

(c) An increase of $422,000 for inflation (4.2 percent of non-personnel costs).

The following table reflects the cost and staff-year distribution of this activity for fiscal years 1990 and 1991:

On the Basis of Appropriation

Function	1990		1991		Change 1991 over 1990	
	Staff-Years	Cost	Staff-Years	Cost	Staff-Years	Cost
1. Headquarters.......	84	$9,462,000	84	$9,573,000	0	+111,000
2. Kansas City........	109	14,479,000	109	14,725,000	0	+246,000
3. Compliance.........	74	5,058,000	74	5,333,000	0	+275,000
Total..................	267	$28,999,000	267	$29,631,000	0	+632,000

FEDERAL CROP INSURANCE CORPORATION
ADMINISTRATIVE AND OPERATING EXPENSES
SUMMARY OF PROPOSED LEGISLATION
SUMMARY OF INCREASES AND DECREASES - PROPOSED LEGISLATION

	1991		
ITEM OF CHANGE:	Current Law	Program Changes	Presidents' Request
1. Underwriting, Actuarial and Program Development...	$15,821,000	-0-	$15,821,000
2. Reinsured Companies.......	218,023,000	-$218,023,000	-0-
3. Agency Sales & Service Agreements and Loss Adjustment Contracts......	47,265,000	-23,553,000	23,712,000
4. Program Administration....	3,689,000	-0-	3,689,000
5. Program Management and Administrative Support....	29,631,000	---	29,631,000
Total Available...........	$314,429,000	-$241,576,000	$72,853,000

Explanation of Proposed Legislation

The Administration will propose legislation to terminate the current crop insurance program effective with the 1991 crop year. The program has not been able to provide adequate risk protection for farmers at a reasonable cost to taxpayers. Further, ad hoc disaster legislation was enacted in both 1988 and 1989. The Administration will work closely with Congress to fashion a permanent disaster assistance program which can provide an effective safety net for farmers and ranchers.

For 1991, the Department is submitting budget estimates under proposed and existing legislation. Under proposed legislation, the 1991 program level and outlays reflect only carryover obligations from the prior crop year and a small amount of 1991 administrative obligations. Under existing legislation, the 1991 estimates assume continuation of the existing program at about the same level of premium and indemnities as estimated for the 1990 crop year.

Participation in the 1990 crop year under both proposed and existing legislation is estimated to decline somewhat from the record levels achieved in 1989 following the 1988 drought. Total premium is estimated to decline from $800.0 million in 1989 to $650.0 million in 1990. Loss ratios, the ratio of indemnities to total premium, are also assumed to improve from 1.70 in 1989 to 1.50 in 1990.

UNITED STATES DEPARTMENT OF AGRICULTURE
FEDERAL CROP INSURANCE CORPORATION
Geographic Breakdown Of Obligations And Staff Years
1989 Actual and Estimated 1990 and 1991

	1989 Actual		1990 Estimated		1991 Estimated	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
Administrative and Operating Expenses:						
ALABAMA..............	$3,094,805	0	$3,427,259	0	$4,970,958	0
ARIZONA..............	203,103	0	224,921	0	326,229	0
ARKANSAS.............	3,937,381	0	4,360,348	0	6,324,327	0
CALIFORNIA...........	10,875,055	26	12,043,291	26	17,647,806	26
COLORADO.............	2,710,720	0	3,001,915	0	4,354,032	0
CONNECTICUT..........	16,087	0	17,815	0	25,839	0
DELAWARE.............	187,015	0	207,105	0	300,389	0
DISTRICT OF COLUMBIA.	9,479,477	101	11,397,796	101	11,967,690	101
FLORIDA..............	2,590,065	0	2,868,299	0	4,160,232	0
GEORGIA..............	6,798,920	15	7,529,284	15	10,920,609	15
HAWAII...............	82,447	0	91,304	0	132,429	0
IDAHO................	2,125,542	0	2,353,875	0	3,414,103	0
ILLINOIS.............	6,833,106	24	7,567,142	24	10,975,519	24
INDIANA..............	3,052,576	18	3,380,494	18	4,903,129	18
IOWA.................	16,511,664	21	18,285,404	21	26,521,479	21
KANSAS...............	7,319,748	29	8,106,061	29	11,757,177	29
KENTUCKY.............	1,528,299	0	1,692,474	0	2,454,795	0
LOUISIANA............	4,232,986	0	4,687,708	0	6,799,136	0
MAINE................	112,611	0	124,708	0	180,879	0
MARYLAND.............	295,605	0	327,360	0	474,809	0
MASSACHUSETTS........	56,305	0	62,353	0	90,438	0
MICHIGAN.............	1,349,327	0	1,494,276	0	2,167,325	0
MINNESOTA............	14,223,237	35	15,751,146	35	22,845,745	35
MISSISSIPPI..........	2,632,294	25	2,915,064	25	4,228,061	25
MISSOURI.............	19,154,430	334	21,212,065	337	25,454,480	337
MONTANA..............	8,061,778	30	8,927,802	30	12,949,045	30
NEBRASKA.............	10,929,350	20	12,103,419	20	17,555,017	20
NEW JERSEY...........	120,655	0	133,616	0	193,799	0
NEW MEXICO...........	154,438	0	171,028	0	248,062	0
NEW YORK.............	176,961	0	195,971	0	284,240	0
NORTH CAROLINA.......	7,016,099	36	7,769,793	36	11,269,448	36
NORTH DAKOTA.........	14,500,744	19	16,058,464	19	23,291,485	19
OHIO.................	1,407,644	0	1,558,858	0	2,260,996	0
OKLAHOMA.............	2,143,640	15	2,373,917	15	3,443,172	15
OREGON...............	693,767	0	768,294	0	1,114,347	0
PENNSYLVANIA.........	689,745	19	763,840	19	1,107,887	19
RHODE ISLAND.........	8,043	0	8,907	0	12,919	0
SOUTH CAROLINA.......	2,276,361	20	2,520,896	20	3,656,353	20
SOUTH DAKOTA.........	6,030,749	0	6,678,593	0	9,686,751	0
TENNESSEE............	965,241	22	1,068,930	22	1,550,395	22
TEXAS................	18,781,993	33	20,799,620	33	29,988,143	33
UTAH.................	102,557	0	113,574	0	164,730	0
VERMONT..............	26,142	0	28,950	0	41,990	0
VIRGINIA.............	2,000,865	0	2,215,805	0	3,213,843	0
WASHINGTON...........	4,190,757	20	4,640,943	20	6,731,307	20
WEST VIRGINIA........	78,426	0	86,851	0	125,969	0
WISCONSIN............	979,318	0	1,084,520	0	1,573,007	0
WYOMING..............	353,922	0	391,942	0	568,480	0
TOTAL ADMINISTRATIVE & OPERATING EXPENSE.	$201,092,000	862	$223,594,000	865	$314,429,000	865

FEDERAL CROP INSURANCE CORPORATION

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Federal Crop Insurance Corporation Fund

For payments as authorized by section 508(b) of the Federal Crop Insurance Act, as amended, [$162,939,000] $286,693,000 of which [$28,862,000] $117,368,000 is to reimburse the Federal Crop Insurance Corporation Fund for agents' commissions and loss adjustment obligations incurred during prior years, but not previously reimbursed, as provided for under the provisions of section 516(a) of the Act.

FEDERAL CROP INSURANCE CORPORATION

Federal Crop Insurance Corporation Fund - Current Law

Appropriation Act, 1990..................................	$162,939,000
Budget Estimate, 1991....................................	286,693,000
Increase in Appropriation................................	+$123,754,000

Federal Crop Insurance Corporation Fund - Proposed Legislation

Budget Estimate, Current Law, 1991.........................	286,693,000
Change due to Proposed Legislation.........................	-286,693,000
Net request, President's 1991 Budget Request............	-0-

SUMMARY OF INCREASES AND DECREASES - CURRENT LAW
(On Basis of Appropriation)

ITEM OF CHANGE:	1990 Estimated	Program Changes	1991 Estimated
1. Premium Subsidy........	$134,077,000	+$35,248,000	$169,325,000
2. Reimbursement of A&O Expenses Paid by Fund..	28,862,000	+88,506,000	117,368,000
Total Available......	162,939,000	+123,754,000	286,693,000

PROJECT STATEMENT
(On basis of appropriation)
Current Law

	1989 Actual Amount	1990 (Est.) Amount	Increase	1991 (Est.) Amount
ITEM OF CHANGE:			(1)	
1. Premium Subsidy	$112,000,000	$134,077,000	+$35,248,000	$169,325,000
2. Reimbursement of Admin. & Oper. Exp. Pd. by Fund	-0-	28,862,000	(2) +88,506,000	117,368,000
Total Available....	$112,000,000	$162,939,000	+$123,754,000	$286,693,000

PROJECT STATEMENT
(On basis of available funds)
Current Law

	1989 Actual	1990 Estimated	Increase(+) Decrease(-)	1991 Estimated
FCIC FUND:				
Indemnities:				
Reinsurance.....	1,134,985,800	867,825,000	+12,488,850	880,313,850
Government......	185,679,080	130,986,375	+1,867,525	132,853,900
Administrative Exp:				
Paid from Fund..	147,130,000	76,204,750	-76,204,750	0
Total Expenses...	1,467,794,880	1,075,016,125	-61,848,375	1,013,167,750
Offsetting collections from non-Federal sources.	-579,950,054	-504,375,000	-528,750	-504,903,750
Unobligated Bal.- Start of Year...	-761,264,000	-385,419,174	+257,702,125	-127,717,049
CCC Transfers....	-400,000,000	-150,000,000	-149,000,000	-299,000,000
Unobligated Bal.- available EOY...	385,419,174	127,717,049	+77,429,000	205,146,049
TOTAL APPROPRIATION....	$112,000,000	$162,939,000	+123,754,000	$286,693,000

EXPLANATION OF PROGRAM

The Federal Crop Insurance Act of 1980, as amended, authorizes the payment of up to 30 percent of the adjusted insurance premium of each producer participating in the program. Subsidies will be paid by the Corporation based upon 30 percent of the risk premium (reduced, where applicable, for hail and fire exclusion) on any coverage under the Corporation's policy of insurance of up to a maximum of 65 percent of the recorded or appraised yield, and encourage the broadest possible participation of agricultural producers in the program.

The Corporation's budget is presented in accordance with Generally Accepted Accounting Principles (GAAP), Financial Accounting Standards Board (FASB), Statement No. 5, "Accounting for Contingencies," and/or Statement No. 60, "Accounting and Reporting by Insurance Enterprises."

JUSTIFICATION OF INCREASES AND DECREASES

(1) An increase of $35,248,000 for premium subsidy ($134,077,000 available in fiscal year 1990).

Need for Change. The Federal Crop Insurance Act, as amended, authorizes the Corporation to subsidize producers' premiums. The amount of subsidy required for fiscal year 1991 is $169,325,000 or 25 percent of the total premium of $677,300,000. This compares with $162,500,000, which is the subsidy required to support a premium level of $650 million in FY 1990. However, the amount appropriated for 1990 was only $134,077,000 which was based on a lower premium level at the time the 1990 budget was prepared. Therefore, of this $35,248,000 increase, $6,825,000 represents the impact of inflation on the 1990 level of business; the remaining $28,423,000 represents recovery of previous year's costs.

Nature of Change. This increase will provide premium subsidy of 25 percent of the total premium level estimated for FY 1991.

(2) An increase of $88,506,000 for reimbursement of Administrative and Operating Expenses paid by the Fund ($28,862,000 reimbursed in fiscal year 1990).

Need for Change. The Federal Crop Insurance Act, as amended, allows for reimbursement to the Fund for agents' commissions, overhead, and loss adjustment costs incurred during prior years and paid from the Fund, but not previously reimbursed. In fiscal year 1989, the premium level was about $800.0 million rather than the $527.0 million in the Budget. This increase resulted in a total of $146.2 million of additional administrative costs which had to be paid out of the Fund. In 1990, $28.9 million was appropriated to the Fund for estimated 1989 administrative expenses, leaving $88.5 million which we are requesting in 1991.

Nature of Change. This increase represents the reimbursement of FY 1989 administrative and operating costs paid by the Fund and not yet reimbursed.

FEDERAL CROP INSURANCE CORPORATION
FEDERAL CROP INSURANCE FUND
SUMMARY OF PROPOSED LEGISLATION
SUMMARY OF INCREASES AND DECREASES - PROPOSED LEGISLATION

ITEM OF CHANGE:	1991 Current Law	Program Changes	Presidents' Request
1. Premium Subsidy...........	$169,325,000	-$169,325,000	-0-
2. Reimbusrement of Administrative & Operating Expenses Paid by Fund.....	117,368,000	-117,368,000	-0-
Total Available...........	$286,693,000	-$286,693,000	-0-

Explanation of Proposed Legislation

The Administration will propose legislation to terminate the current crop insurance program effective with the 1991 crop year. The program has not been able to provide adequate risk protection for farmers at a reasonable cost to taxpayers. Further, ad hoc disaster legislation was enacted in both 1988 and 1989. The Administration will work closely with Congress to fashion a permanent disaster assistance program which can provide an effective safety net for farmers and ranchers.

For 1991, the Department is submitting budget estimates under proposed and existing legislation. Under proposed legislation, the 1991 program level and outlays reflect only carryover obligations from the prior crop year and a small amount of 1991 administrative obligations. Under existing legislation, the 1991 estimates assume continuation of the existing program at about the same level of premium and indemnities as estimated for the 1990 crop year.

Participation in the 1990 crop year under both proposed and existing legislation is estimated to decline somewhat from the record levels achieved in 1989 following the 1988 drought. Total premium is estimated to decline from $800.0 million in 1989 to $650.0 million in 1990. Loss ratios, the ratio of indemnities to total premium, are also assumed to improve from 1.70 in 1989 to 1.50 in 1990.

UNITED STATES DEPARTMENT OF AGRICULTURE
FEDERAL CROP INSURANCE CORPORATION
Geographic Breakdown Of Obligations And Staff-Years
1989 Actual and estimated 1990 and 1991

	1989 Actual		1990 Estimated		1991 Estimated	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
UNDISTRIBUTED *						
Federal Crop Insurance						
Crop Insurance Fund:						
Reinsurance........	$1,134,485,800	-0-	$867,825,000	-0-	$880,313,850	-0-
Government.........	185,679,080	-0-	130,986,375	-0-	132,853,900	-0-
Administrative Exp. Paid by Fund......	147,130,000	-0-	76,204,750	-0-	0	-0-
TOTAL, FCIC FUND......	$1,467,794,880	0	$1,075,016,125	0	$1,013,167,750	0

* Because of the unpredictability of the location of sales and losses, it is impractical to estimate the State cost distribution at this time.

FEDERAL CROP INSURANCE CORPORATION

STATUS OF PROGRAM

The Federal Crop Insurance Corporation is a wholly-owned Government Corporation which provides multi-peril crop insurance protection against unavoidable causes of loss. From 1948 through 1981, the program operated in selected counties on a limited basis. For crop year 1982, the program was in operation in 1,928 counties throughout the United States. The crop insurance program was expanded nationwide effective with crop year 1983 to nearly all counties with acreage devoted to the six ASCS disaster crops of wheat, corn, barley, grain sorghum, cotton and rice.

The status of the crop insurance program is presented for direct sales (government operations) and for sales through reinsured companies (reinsurance operations). The combined sales premium for crop year 1988 totaled $437.7 million with indemnities of $1,053.8 million for a combined loss ratio of 2.41.

SUMMARY OF GOVERNMENT OPERATIONS 1948-1988:

Excluding reinsurance operations, during the forty-one year period, indemnities of $3,634.1 million exceeded premium income of $2,786.0 million by $847.9 million.

Wheat continues to be the dominant crop in the Corporation's cumulative experience. The cumulative wheat premium of $764.4 million is 27 percent of the total premium. Likewise, cumulative indemnities on wheat amounted to $918.6 million or 25 percent of the total indemnities of $3,634.1 million for the period 1948 through 1988. The loss ratio for wheat for the period was 1.20, as compared with 1.30 for all commodities. Corn and soybeans, with premiums of $552.1 million and $479.9 million accounted for 20 percent and 17 percent of the total premiums. Indemnities on these crops were $558.3 million and $824.9 million, for 15 percent and 23 percent of the total indemnities. Loss ratios were 1.01 and 1.72, respectively.

The number of counties in which crop insurance is offered has increased from 324 in 1948, to 3,015 in 1988.

The following tables summarize the Government insurance operations: (1) crop year 1988 experience by crop; (2) crop year 1988 experience by state; (3) cumulative insurance experience for 1948-88, by crop; and (4) crop years 1939 through 1988, showing premiums and indemnities as a percent of insurance protection.

GOVERNMENT OPERATIONS - SUMMARY OF 1988 CROP YEAR EXPERIENCE BY CROP (DOLLARS IN THOUSANDS)

Crop	No. of Policies Insured	Amt. of Prot.	Prem.	Indem.	Prem Comp. with Indem. a/	Loss Ratio
Almond	192	12,232	800	603	197	0.75
Apple	286	13,653	1,403	2,691	(1,288)	1.92
Barley	6,081	25,097	2,181	10,522	(8,341)	4.82
Bean	856	9,014	705	872	(167)	1.24
Citrus	119	7,394	537	107	430	0.20
Citrus Tree	3	46	2	0	2	0.00
Combined Crop	0	0	0	0	0	0.00
Corn	14,345	174,019	10,306	28,122	(17,816)	2.73
Cotton	909	23,218	2,629	3,301	(672)	1.26
Cotton, ELS	3	501	28	0	28	0.00
Cranberries	11	2,027	44	0	44	0.00
Flax	279	465	52	196	(144)	3.77
Forage Prod	9	119	6	0	6	0.00
Forage Seeding	4	4	1	2	(1)	2.00
Grain Sorghum	1,854	9,902	875	1,133	(258)	1.29
Grape	103	3,244	271	56	215	0.21
Grape, Table	4	185	12	0	12	0.00
Hybrid Seed	117	3,276	221	158	63	0.71
Oat	2,061	3,069	340	1,730	(1,390)	5.09
Onions	40	2,515	160	151	9	0.94
Pea	182	1,861	160	108	52	0.68
Peanut	1,804	76,565	4,171	6,522	(2,351)	1.56
Peaches	180	6,162	660	1,724	(1,064)	2.61
Pepper	13	4,641	463	209	254	0.45
Popcorn	56	689	57	86	(29)	1.51
Potato	114	15,808	813	2,115	(1,302)	2.60
Prevented Planting	0	0	0	0	0	0.00
Prev. Plnt.Endor	0	0	0	0	0	0.00
Prunes	28	3,031	194	168	26	0.87
Raisin	301	12,927	1,053	0	1,053	0.00
Rice	281	11,265	332	502	(170)	1.51
Rye	15	27	3	7	(4)	2.33
Safflower	85	217	26	95	(69)	3.65
Sorghum, Hybrid Seed	14	482	71	195	(124)	2.75
Soybean	13,686	148,817	11,804	20,727	(8,923)	1.70
Stonefruit	11	347	31	2	29	0.06
Sugar Beet	310	22,229	853	714	139	0.84
Sugarcane	7	856	49	0	49	0.00
Sunflower	884	4,793	453	956	(503)	2.11
Sweet Corn	54	779	50	69	(19)	1.38
Sweet Corn, FM	6	634	45	14	31	0.31
Tobacco	9,630	130,003	3,776	3,209	567	0.85
Tomato	32	2,793	186	301	(115)	1.62
Tomato, Fresh	55	31,261	3,668	887	2,781	0.24
Walnut	12	663	33	3	30	0.09
Wheat	19,482	192,247	14,467	65,137	(50,670)	4.50
Grand Total	74,518	959,077	63,991	153,394	(89,403)	2.40

a/ Excess of indemnities over premium indicated by parenthesis ().
Note: Grand total amounts exclude Puerto Rico.

GOVERNMENT OPERATIONS-SUMMARY OF 1988 CROP YEAR EXPERIENCE BY STATE
(DOLLARS IN THOUSANDS)

State	No. of Policies Insured	Amount of Protection	Prem.	Indem.	Premiums Comp. with Indem. a/
Alabama........	628	26,882	1,649	2,957	(1,308)
Alaska.........	0	0	0	0	0
Arizona........	17	1,534	100	132	(32)
Arkansas.......	104	1,574	207	258	(51)
California.....	738	37,957	2,743	1,067	1,676
Colorado.......	1,334	18,549	1,676	1,176	500
Connecticut....	40	1,310	66	153	(87)
Delaware.......	330	9,964	612	805	(193)
Florida........	639	61,814	5,644	3,107	2,537
Georgia........	1,146	28,679	1,922	2,653	(731)
Idaho..........	461	5,870	333	431	(98)
Illinois.......	4,321	51,134	2,766	9,621	(6,855)
Indiana........	2,655	27,038	1,571	4,155	(2,584)
Iowa...........	3,272	40,895	1,618	4,066	(2,448)
Kansas.........	3,797	21,319	1,642	1,787	(145)
Kentucky.......	3,412	20,376	1,292	2,009	(717)
Louisiana......	790	24,101	2,481	2,962	(481)
Maine..........	7	473	32	14	18
Maryland.......	48	1,093	79	121	(42)
Minnesota......	11,261	122,112	6,817	25,971	(19,154)
Massachusetts..	41	3,022	130	211	(81)
Michigan.......	159	1,580	139	414	(275)
Mississippi....	384	12,263	1,483	1,790	(307)
Missouri.......	1,443	10,604	1,006	1,152	(146)
Montana........	5,647	61,918	5,088	29,431	(24,343)
Nebraska.......	4,720	44,522	2,869	1,788	1,081
Nevada.........	0	0	0	0	0
New Hampshire..	0	0	0	0	0
New Jersey.....	50	1,118	105	241	(136)
New Mexico.....	59	1,046	136	189	(53)
New York.......	104	3,883	253	345	(92)
North Carolina.	4,779	89,221	3,011	2,317	694
North Dakota...	10,380	70,239	5,249	33,695	(28,446)
Ohio...........	1,627	17,962	930	2,093	(1,163)
Oklahoma.......	1,727	23,631	1,708	2,132	(424)
Oregon.........	46	2,032	104	46	58
Pennsylvania...	112	1,493	108	231	(123)
Rhode Island...	6	112	11	2	9
South Carolina.	1,015	25,166	1,514	2,599	(1,085)
South Dakota...	1,569	9,096	921	3,440	(2,519)
Tennessee......	1,161	4,924	354	319	35
Texas..........	2,105	35,908	3,510	4,588	(1,078)
Utah...........	10	44	4	3	1
Vermont........	12	922	115	136	(21)
Virginia.......	1,201	12,797	494	355	139
Washington.....	478	14,532	1,106	1,762	(656)
West Virginia..	5	39	4	8	(4)
Wisconsin......	343	1,195	82	369	(287)
Wyoming........	335	7,134	307	293	14
TOTAL......	74,516	959,077	63,991	153,394	(89,403)

a/ Excess of indemnities over premium indicated by parenthesis ().

FEDERAL CROP INSURANCE CORPORATION
GOVERNMENT OPERATIONS - CUMULATIVE SUMMARY OF EXPERIENCE-BY CROP
CROP YEARS 1948-1988
(DOLLARS IN THOUSANDS)

Crop	Premiums	Indemnities	Premiums Compared with Indemnities a/	Loss Ratio
Almond	6,058	6,831	(773)	1.13
Apple	13,861	20,786	(6,925)	1.50
Barley	64,625	89,782	(25,158)	1.39
Bean	22,436	31,211	(8,775)	1.39
Cherry	150	391	(241)	2.61
Citrus	56,707	80,596	(23,889)	1.42
Citrus Tree	1,311	12,416	(11,105)	9.47
Combined Crop	40,450	45,441	(4,991)	1.12
Corn	552,137	558,349	(6,213)	1.01
Cotton	184,433	276,533	(92,100)	1.50
Cotton, ELS	95	0	95	0.00
Cranberries	44	0	44	0.00
Flax	19,620	17,823	1,797	0.91
Forage Prod	101	199	(98)	1.97
Forage Seeding	53	181	(127)	3.38
Grain Sorghum	58,587	78,433	(19,846)	1.34
Grape	9,032	13,333	(4,301)	1.48
Grape, Table	342	332	11	0.97
Hybrid Seed	2,482	5,158	(2,676)	2.08
Oats	18,807	19,378	(570)	1.03
Onions	160	151	9	0.94
Pea	10,372	11,695	(1,323)	1.13
Peach	11,377	18,484	(7,107)	1.62
Peanut	90,729	127,400	(36,671)	1.40
Pepper	1,835	2,057	(222)	1.12
Popcorn	304	588	(284)	1.93
Potato	7,195	17,860	(10,665)	2.48
Prev. Plnt. Endors.	1	1	0	1.00
Prevented Planting	158	894	(736)	5.67
Puerto Rico	618	90	528	0.15
Prunes	556	744	(188)	1.34
Raisin	27,956	49,087	(21,131)	1.76
Rice	11,044	26,039	(14,995)	2.36
Rye	80	48	31	0.61
Safflower	56	129	(73)	2.30
Sorghum.Hybrid Seed	71	195	(124)	2.75
Soybean	479,887	824,865	(344,978)	1.72
Stonefruit	31	2	29	0.06
Sugar Beet	19,886	14,222	5,664	0.72
Sugarcane	6,652	9,430	(2,778)	1.42
Sunflower	25,851	33,281	(7,431)	1.29
Sweet Corn	624	526	98	0.84
Sweet Corn, FM	89	35	54	0.39
Tobacco	259,985	297,006	(37,021)	1.14
Tomato	2,761	4,016	(1,255)	1.45
Tomato, Fresh	12,013	19,419	(7,406)	1.62
Tung Nut	90	67	23	0.74
Walnut	97	26	71	0.27
Wheat	764,403	918,576	(154,173)	1.20
Grand Total	2,786,210	3,634,105	(847,895)	1.30

a/ Excess of indemnities over premium indicated by parenthesis ()

GOVERNMENT OPERATIONS - SUMMARY OF EXPERIENCE 1939-1988
(Dollars in Thousands)

Year	Amount of Protection	Premium	Indemnities	Premium (As % of Protection	Indemnities (As % of Protection	Loss Ratio
1939-47	$1,564,916	$147,241	$218,543	9.4%	14.0%	1.48
1948-80	26,721,749	1,419,456	1,562,205	5.3%	5.8%	1.10
1981	5,797,132	366,361	398,751	6.3%	6.9%	1.09
1982	4,856,758	320,659	458,460	6.6%	9.4%	1.43
1983	2,778,428	184,108	404,867	6.6%	14.6%	2.20
1984	2,668,523	175,984	257,680	6.6%	9.7%	1.46
1985	1,873,621	117,659	209,908	6.3%	11.2%	1.78
1986	1,214,974	77,051	120,651	6.3%	9.9%	1.57
1987	974,573	60,941	68,189	6.3%	7.0%	1.12
1988	959,077	63,991	153,394	6.7%	16.0%	2.40
1939-88	$49,409,751	$2,933,451	$3,852,648	5.9%	7.8%	1.31

FCIC OPERATING EXPERIENCE - CROP YEAR 1988

Government insurance operations for the 1988 crop year show indemnities exceeding premium by $89.4 million with a loss ratio of 2.40. The amount of protection for the 1988 crop year was $959.1 million.

Premium Income

For the 1988 crop year, net farmer premium for government operations totaled $48.9 million. Federal subsidy of $15.1 million added to the net farmer premium income resulted in total premium income for government operations of $64.0 million, which represents an overall increase of $3.0 million from crop year 1987.

Indemnities

The 1988 crop year indemnities totaled $153.4 million with a loss ratio of 2.40. Wheat, soybeans and corn with indemnities of $65.1 million, $20.7 million, and $28.1 million and loss ratios of 4.50, 1.76, and 2.73, respectively, accounted for 63 percent of the total dollar loss.

Capital Stock

Prior to the Federal Crop Insurance Act of 1980, as amended, the Corporation had authorized and issued capital stock of $200 million which was cancelled by the new legislation.

The Federal Crop Insurance Act of 1980, as amended, authorized $500 million of capital stock which is fully subscribed and issued.

ADMINISTRATIVE AND OPERATING EXPENSES

The activities funded from this appropriation are briefly described below:

1. Underwriting, Actuarial and Program Development - This activity covers the underwriting function which makes determinations with respect to the establishment of insurance coverage and premium rates. Also, new programs are researched and developed, and existing ones are reviewed for improvement of policy provisions.

2. Reinsured Companies - Provides the insurance marketing, underwriting, servicing, training, quality control, statistical processing and reporting, and loss adjustment functions, including payment of claims for policies reinsured by FCIC. The companies also share with FCIC, to a limited extent, both underwriting gain and losses.

3. Agency Sales and Service Contracts and Loss Adjustment Contracts - Under Agency Sales and Service Contracts, also known as "master marketing agreements," private insurance entities contract with FCIC to provide limited insurance sales and service for policies issued by FCIC. Loss adjustment activities associated with these policies are contracted by FCIC.

4. Program Administration - This activity consists of the development and administration of reinsurance agreements and agency sales and service contracts, and developing strategies for increased participation in the crop insurance program.

5. Program Management and Administrative Support - This activity includes administrative support in finance, accounting, budget, management services, and personnel management and Equal Employment Opportunity programs for FCIC, as well as compliance and quality control activities on all program delivery operations (reinsured, sales and service, and FCIC field operations).

Selected Examples of Progress During F.Y. 1989: The following are selected accomplishments under this appropriation by activity:

Underwriting, Actuarial and Program Development

1. On crops already covered by insurance, the program has been expanded to cover an additional 999 county crop programs for the 1989 crop year.

2. Insurance on plums was added in major production areas for the 1990 crop year.

3. Price elections were reviewed for all crops and changes were made as needed to ensure that at least one election was not less than 90 percent of the expected market price.

Reinsurance

At the end of F.Y. 1989, the amount of premium earned through the reinsurance program increased by approximately 80 percent, over F.Y. 1988 for the same period. Premiums increased from $345.5 million in 1988 to $625.4 million in 1989. Net acres insured increased by almost 80 percent also, from $44.7 million in 1988 to $78.6 million in 1989.

The private companies continued to provide timely and effective claims service through their staff and contract loss adjusters.

Agency Sales and Service Contracts

The total number of contractors increased from 21 in 1988 to 23 in 1989. At the end of FY 1989, premium earned through Agency Sales and Service Contracts increased from $57.9 million in 1988 to $88.3 million in 1989, which represents a 52 percent increase in business. Net acres insured increased by about 68 percent, from 6.3 million in 1988 to 10.6 million in 1989.

The increase in the number of Agency Sales and Service Contractors and premium dollars can be attributed to an increase in program business.

1. Marketing Status

Public awareness of the vital role played by crop insurance in the stability of agriculture is a primary concern of the Federal Crop Insurance Corporation. A conservative but effective advertising campaign was carried out in 1989, utilizing major farm publications, with circulation concentrated in those areas with the greatest potential. Broadcast messages were also used, limited to areas where they were considered most cost-effective.

Informational articles ran periodically throughout the year in a variety of print media. Promotional activities were continued through other USDA agencies, print media, and the Extension Service. A special promotion sponsorship is being carried out with the Future Farmers of America. A major effort was placed on initiating a series of informational and educational sessions aimed at agribusiness and other agricultural agencies in a twenty-six state area. The sessions are a joint FCIC/Extension Service effort with limited private industry sponsorship. FCIC produced and distributed an informational brochure for the 1989 crop year. All efforts are being incorporated into a five-year strategic marketing plan, including the establishment of an FCIC/industry advisory committee.

2. Contracting Requirements

In conjunction with agent licensing requirements, FCIC continued the agent certification program (ACT) to enhance the level of program knowledge and professionalism for agents affiliated with Agency Sales and Service Contractors. FCIC requires that agents be active, certified and hold an insurance license issued by the states in which they conduct or solicit business. Over 4,500 agents are designated as active, licensed and certified.

3. Loss Adjustment, Direct Business

a. Contract Services - Major improvements in service levels on federal policies were realized in 1989 under the distributed processing system installed for crop year 1988. Under this program, Agency Sales and Service Contractors, using FCIC certified computer processing programs, process can electronically transmit acreage report and sales document data directly to the FCIC data base in Kansas City, Missouri. As in 1988, late-filed and revised acreage reports must still be approved in the Field Service Offices (FSO). The FSO's can electronically transmit document data for any policy not serviced by a Sales and Service Contractor. In 1989, all of the sixteen FSO's began distributed processing of claims documents. For 1989, all FSO's continued to review claims documents prior to processing. Between 80-90% of all claims processed under this new system result in a payment to farmers within 15-30 days of their signature on a loss claim.

b. Loss Adjustment Contractors - No revisions were made to the loss adjustment contract in 1989. Orientation, formal classroom training, and on-the-job field training still continue to be effective and beneficial to the Corporation. As the contract allows for utilization of contractors for functions other than loss adjustment, the contractors were used for reviewing Actual Production History (APH) production certification forms for the Field Underwriting Office.

c. Quality Control - Emphasis continues to be placed on the use of personal computers for document tracking and contractor performance analysis and evaluation.

Program Administration - Increased staffing in the Reinsurance Contract and Marketing Contract Divisions, including the implementation of account executive positions to assist delivery system personnel in problem resolution and improve overall compliance with program requirements. Significant progress was made towards the development of improved and less complex Agency Sales and Service Agreements, and standard Reinsurance Agreements for the 1990 and 1991 contract years.

Program Management and Administrative Support - Received the results of a major study performed by Arthur Andersen & Co. of the appropriateness of the reimbursement rates paid to the reinsurance and agency sales and service agents. The analysis indicated that the overall levels of reimbursement were, on the average, not excessive, and included recommendations for consideration in future contract years.

Major strides were made in implementing an improved internal/management controls program in FY 1989, which has begun to institutionalize the identification, tracking and mitigation/elimination of vulnerabilities to fraud, waste or abuse.

There was a major improvement in FCIC's program accounting system for reinsured business, which provides for automated validation of statistical data and requests for reimbursement from the private companies, became effective with the start of the 1990 Reinsurance Contract Year (July 1, 1989).

Improvements in the overall management planning processes were begun, particularly in the information resources management area, where a comprehensive restructuring and planning initiative is beginning to closely match automated systems development with overall corporate objectives.

Compliance

FCIC reorganized and moved its Compliance Division from a third level organizational unit within the Office of Program Administration, to a second level autonomous function as the Office of Assistant Manager for Compliance, reporting directly to the Office of the Manager.

FCIC opened a new compliance office in St. Paul, Minnesota, in June, 1988, which brings the total number of compliance field offices to five. Compliance staffing is currently at 76 employees with remaining vacancies being actively recruited to reach a full-time complement of 81 positions. Compliance employees have been attending training at the Federal Law Enforcement Training Center in Glencoe, Georgia, on investigative techniques and general law enforcement policies and procedures.

PROGRAM PLANS

The objectives of the Corporation during 1989 were:

1. To continue to provide crop insurance protection to as many farmers as possible within the available resources.

2. To continue making improvements in the contract provisions, insurance protection, and premium rates to make the program more responsive to the needs of the farmers, while ensuring financial and program integrity are preserved. Programs currently in effect are being reviewed to ascertain that rates and coverages are maintained at a level proportionate to the risk.

3. To increase sales and service to producers through expanded use of automation, actual production history on all production guarantee crops, and tailoring the crop insurance contract to individual farmer experience.

4. To maintain and intensify compliance and quality control activities to assure program integrity in both delivery systems.

Program Statistics

The following tables show: (1) the number of counties in which crop insurance is offered, crop years 1948 through 1989 and 1990 (estimated): and (2) data by commodity, crop years 1948 through 1988 (actual).

Crop Year	Number of Counties
1948	324
1949	357
1950	549
1951	730
1952	795
1953	847
1954	803
1955	794
1956	806
1957	816
1958	830
1959	847
1960	869
1961	890
1962	995
1963	1,094
1964	1,187
1965	1,214
1966	1,304
1967	1,304
1968	1,363
1969	1,395
1970	1,425
1971	1,423
1972	1,423
1973	1,422
1974	1,432
1975	1,444
1976	1,467
1977	1,467
1978	1,522
1979	1,526
1980	1,676
1981	1,928
1982	2,999
1983	3,000
1984	3,010
1985	3,012
1986	3,013
1987	3,014
1988	3,015
1989	3,019
1990 (estimated)	3,026

GOVERNMENT OPERATIONS - CROP INSURANCE EXPERIENCE BY YEAR 1948-1988
ALL PROGRAMS
(DOLLARS IN THOUSANDS)

PROGRAM AND CROP YEAR	COUNTY PROGRAMS (NUMBER)	POLICIES INSURED (NUMBER)	AMOUNT OF PROTECTION (DOLLARS)	AMOUNT OF PREMIUM (DOLLARS)	AMOUNT OF INDEMNITIES (DOLLARS)	LOSS RATIO
ALMOND						
1981.....	4	152	8,717	610	10	0.02
1982.....	18	262	24,110	1,758	1,312	0.75
1983.....	18	176	11,335	836	2,601	3.11
1984.....	18	133	7,468	557	0	0.00
1985.....	18	118	4,755	353	156	0.44
1986.....	18	134	5,943	389	2,011	5.17
1987.....	18	175	11,108	755	138	0.18
1988.....	18	192	12,232	800	603	0.75
TOTAL..	---	---	---	6,058	6,831	1.13
APPLE						
1963-1980	---	---	68,003	6,604	8,398	1.27
1981.....	10	357	9,195	836	1,291	1.54
1982.....	10	251	6,964	640	995	1.55
1983.....	10	192	5,223	487	857	1.76
1984.....	24	239	7,263	661	695	1.05
1985.....	110	236	8,532	790	2,461	3.12
1986.....	131	250	11,084	1,101	2,395	2.17
1987.....	131	258	13,359	1,339	1,003	0.75
1988.....	159	286	13,653	1,403	2,691	1.92
TOTAL..	---	---	---	13,861	20,786	1.50
BARLEY						
1956-1980	---	---	358,022	27,932	26,411	0.95
1981.....	270	11,902	90,171	7,856	6,475	0.82
1982.....	2,545	9,196	72,674	6,076	4,123	0.68
1983.....	2,549	7,877	59,747	4,968	4,438	0.89
1984.....	2,620	7,461	64,482	5,257	10,050	1.91
1985.....	2,620	7,633	57,548	5,001	19,661	3.93
1986.....	2,620	6,715	39,110	3,332	6,001	1.80
1987.....	2,620	6,135	25,053	2,021	2,101	1.04
1988.....	2,620	6,081	25,097	2,181	10,522	4.82
TOTAL..	---	---	---	64,625	89,782	1.39
BEAN						
1948-1980	---	---	160,062	9,924	9,118	0.92
1981.....	60	2,985	51,544	4,182	4,241	1.01
1982.....	78	2,296	41,753	3,361	9,940	2.96
1983.....	78	934	8,038	642	760	1.18
1984.....	131	881	12,430	933	1,339	1.44
1985.....	214	816	10,680	814	1,539	1.89
1986.....	215	782	11,132	913	986	1.08
1987.....	236	894	12,340	961	2,416	2.51
1988.....	272	856	9,014	705	872	1.24
TOTAL..	---	---	---	22,436	31,211	1.39

GOVERNMENT OPERATIONS - CROP INSURANCE EXPERIENCE BY YEAR 1948-1988
ALL PROGRAMS
(DOLLARS IN THOUSANDS)

PROGRAM AND CROP YEAR	COUNTY PROGRAMS (NUMBER)	POLICIES INSURED (NUMBER)	AMOUNT OF PROTECTION (DOLLARS)	AMOUNT OF PREMIUM (DOLLARS)	AMOUNT OF INDEMNITIES (DOLLARS)	LOSS RATIO
CITRUS						
1951-1980	---	---	486,198	43,159	60,273	1.40
1981.....	27	1,275	40,378	3,395	7,561	2.23
1982.....	30	1,083	35,595	3,259	163	0.05
1983.....	30	0	0	0	0	0.00
1984.....	35	1,036	32,216	2,982	7,158	2.40
1985.....	35	581	21,171	1,824	5,076	2.78
1986.....	35	208	11,424	950	142	0.15
1987.....	43	115	7,593	601	117	0.19
1988.....	43	119	7,394	537	107	0.20
TOTAL..	---	---	---	56,707	80,596	1.42
CITRUS TREE						
1983.....	3	220	18,643	757	0	0.00
1984.....	3	189	14,293	542	12,416	22.91
1985.....	3	9	146	6	0	0.00
1986.....	3	3	75	3	0	0.00
1987.....	3	2	18	1	0	0.00
1988.....	3	3	46	2	0	0.00
TOTAL..	---	---	---	1,311	12,416	9.47
COMBINED CROP						
1946-1980	---	---	789,307	37,511	44,222	1.18
1981.....	7	1,069	19,367	801	139	0.17
1982.....	5	809	15,961	659	211	0.32
1983.....	5	702	10,589	406	251	0.62
1984.....	5	573	11,035	399	38	0.10
1985.....	5	506	9,590	348	207	0.60
1986.....	5	398	6,754	199	230	1.16
1987.....	5	334	4,425	127	143	1.12
1988.....	0	0	0	0	0	0.00
TOTAL..	---	---	---	40,450	45,441	1.12
CORN						
1948-1980	12,896	1,927,715	5,626,659	290,866	315,193	1.08
1981.....	1,335	101,390	1,413,731	86,091	50,712	0.59
1982.....	2,829	64,617	897,552	53,291	27,841	0.52
1983.....	2,832	37,622	380,426	22,728	64,323	2.83
1984.....	2,850	38,644	587,891	37,046	34,694	0.94
1985.....	2,850	26,393	433,509	24,952	16,173	0.65
1986.....	2,850	20,060	269,909	16,763	15,292	0.91
1987.....	2,850	16,491	174,950	10,094	5,999	0.59
1988.....	2,849	14,345	174,019	10,306	28,122	2.73
TOTAL..	---	---	---	552,137	558,349	- 1.01

GOVERNMENT OPERATIONS - CROP INSURANCE EXPERIRNCE BY YEAR 1948-1988
ALL PROGRAMS
(DOLLARS IN THOUSANDS)

PROGRAM AND CROP YEAR	COUNTY PROGRAMS (NUMBER)	POLICIES INSURED (NUMBER)	AMOUNT OF PROTECTION (DOLLARS)	AMOUNT OF PREMIUM (DOLLARS)	AMOUNT OF INDEMNITIES (DOLLARS)	LOSS RATIO
COTTON						
1948-1980	6,446	736,153	1,822,490	112,365	176,582	1.57
1981.....	360	5,708	267,245	21,610	23,877	1.10
1982.....	618	5,280	244,051	20,413	36,767	1.80
1983.....	619	4,963	169,798	14,335	23,794	1.66
1984.....	690	2,397	76,665	6,270	5,874	0.94
1985.....	690	1,421	38,044	2,979	1,442	0.48
1986.....	691	1,054	20,748	1,880	3,783	2.01
1987.....	692	1,133	20,077	1,952	1,114	0.57
1988.....	690	909	23,218	2,629	3,301	1.26
TOTAL..	---	---	---	184,433	276,533	1.50
COTTON, ELS						
1985.....	12	8	650	37	0	0.00
1986.....	12	3	211	12	0	0.00
1987.....	12	5	295	18	0	0.00
1988.....	12	3	501	28	0	0.00
TOTAL..	---	---	---	95	0	0.00
CRANBERRIES						
1988.....	32	11	2,027	44	0	0.00
TOTAL..	---	---	---	44	0	0.00
FLAX						
1948-1980	2,398	482,238	156,568	17,863	15,901	0.89
1981.....	85	1,707	3,523	487	436	0.90
1982.....	85	1,267	3,054	431	515	1.19
1983.....	87	862	1,824	244	196	0.80
1984.....	98	722	1,476	196	155	0.79
1985.....	118	562	1,221	149	178	1.19
1986.....	118	483	1,034	117	157	1.35
1987.....	119	381	735	81	89	1.09
1988.....	119	279	465	52	196	3.77
TOTAL..	---	---	---	19,620	17,823	0.91

GOVERNMENT OPERATIONS - CROP INSURANCE EXPERIENCE BY YEAR 1948-1988
ALL PROGRAMS
(DOLLARS IN THOUSANDS)

PROGRAM AND CROP YEAR	COUNTY PROGRAMS (NUMBER)	POLICIES INSURED (NUMBER)	AMOUNT OF PROTECTION (DOLLARS)	AMOUNT OF PREMIUM (DOLLARS)	AMOUNT OF INDEMNITIES (DOLLARS)	LOSS RATIO
FORAGE PRODUCTION						
1979-1980	6	121	588	34	68	2.00
1981.....	3	50	222	13	41	3.15
1982.....	8	93	538	33	70	2.12
1983.....	8	32	128	7	19	2.71
1984.....	20	20	51	4	0	0.00
1985.....	20	14	33	2	1	0.37
1986.....	20	4	5	0	0	0.00
1987.....	20	4	13	1	0	0.00
1988.....	26	9	119	6	0	0.00
TOTAL..	---	---	---	101	199	1.97
FORAGE SEEDING						
1978-1980	9	285	203	16	78	4.88
1981.....	3	127	130	13	57	4.38
1982.....	8	116	113	9	24	2.67
1983.....	8	63	63	5	.6	1.20
1984.....	8	56	55	4	8	2.00
1985.....	8	28	27	2	4	1.45
1986.....	8	21	22	2	1	0.69
1987.....	21	16	17	1	1	0.63
1988.....	21	4	4	1	2	2.00
TOTAL..	---	---	---	53	181	3.38
GRAIN SORGHUM						
1959-1980	3,161	177,920	392,488	24,515	25,829	1.05
1981.....	441	17,087	134,790	11,472	10,612	0.93
1982.....	2,408	9,384	85,596	7,262	8,949	1.23
1983.....	2,410	5,322	34,114	2,854	6,599	2.31
1984.....	2,471	5,584	51,419	4,730	12,364	2.61
1985.....	2,471	4,669	45,655	3,574	6,996	1.96
1986.....	2,471	3,486	24,946	2,238	4,585	2.05
1987.....	2,471	2,334	12,376	1,067	1,366	1.28
1988.....	2,468	1,854	9,902	875	1,133	1.29
TOTAL..	---	---	---	58,587	78,433	1.34
GRAPE						
1967-1980	117	3,703	47,434	2,710	2,694	0.99
1981.....	20	619	18,334	1,134	959	0.85
1982.....	27	782	40,259	2,408	5,494	2.28
1983.....	30	481	21,960	1,341	3,297	2.46
1984.....	47	214	6,062	440	253	0.58
1985.....	60	139	3,835	280	286	1.02
1986.....	60	106	2,635	204	185	0.90
1987.....	60	113	3,016	244	110	0.45
1988.....	66	103	3,244	271	56	0.21
TOTAL..	---	---	---	9,032	13,333	1.48

GOVERNMENT OPERATIONS - CROP INSURANCE EXPERIENCE BY YEAR 1948-1988
ALL PROGRAMS
(DOLLARS IN THOUSANDS)

PROGRAM AND CROP YEAR	COUNTY PROGRAMS (NUMBER)	POLICIES INSURED (NUMBER)	AMOUNT OF PROTECTION (DOLLARS)	AMOUNT OF PREMIUM (DOLLARS)	AMOUNT OF INDEMNITIES (DOLLARS)	LOSS RATIO
GRAPE, TABLE						
1984.....	10	23	2,008	159	192	1.21
1985.....	10	16	761	53	44	0.84
1986.....	10	10	719	74	41	0.56
1987.....	10	6	502	45	54	1.20
1988.....	10	4	185	12	0	0.00
TOTAL..	---	---	---	342	332	0.97
HYBRID SEED						
1983.....	68	138	3,343	181	2,177	12.03
1984.....	68	243	6,872	388	923	2.38
1985.....	398	326	13,675	1,058	853	0.81
1986.....	398	180	5,914	441	630	1.43
1987.....	398	111	2,918	192	417	2.17
1988.....	398	117	3,276	221	158	0.71
TOTAL..	---	---	---	2,482	5,158	2.08
OAT						
1959-1980	4,857	448,665	167,580	11,571	9,776	0.84
1981.....	429	14,619	27,360	2,845	3,962	1.39
1982.....	550	8,977	16,174	1,520	925	0.61
1983.....	938	5,297	8,517	840	672	0.80
1984.....	2,532	4,345	7,332	720	778	1.08
1985.....	2,532	2,880	5,436	533	917	1.72
1986.....	2,532	1,862	2,703	260	397	1.53
1987.....	2,532	1,764	1,946	179	220	1.23
1988.....	2,532	2,061	3,069	340	1,730	5.09
TOTAL..	---	---	---	18,807	19,378	1.03
ONIONS						
1988.......		40	2,515	160	151	0.94
TOTAL..	---	---	---	160	151	0.94
PEA						
1962-1980	808	54,695	102,907	7,580	9,662	1.27
1981.....	75	1,181	7,922	613	416	0.68
1982.....	85	918	8,470	627	457	0.73
1983.....	89	748	5,073	423	399	0.94
1984.....	100	546	3,411	296	332	1.12
1985.....	149	335	3,867	302	179	0.59
1986.....	150	269	2,382	194	77	0.40
1987.....	153	233	2,117	177	66	0.37
1988.....	161	182	1,861	160	108	0.68
TOTAL..	---	---	---	10,372	11,695	1.13

GOVERNMENT OPERATIONS - CROP INSURANCE EXPERIENCE BY YEAR 1948-1988
ALL PROGRAMS
(DOLLARS IN THOUSANDS)

PROGRAM AND CROP YEAR	COUNTY PROGRAMS (NUMBER)	POLICIES INSURED (NUMBER)	AMOUNT OF PROTECTION (DOLLARS)	AMOUNT OF PREMIUM (DOLLARS)	AMOUNT OF INDEMNITIES (DOLLARS)	LOSS RATIO
PEACH						
1957-1980	374	7,416	52,820	7,043	8,821	1.25
1981.....	17	98	3,370	275	95	0.35
1982.....	21	96	3,025	273	1,136	4.16
1983.....	25	102	3,889	356	978	2.75
1984.....	25	131	6,371	607	740	1.22
1985.....	48	153	8,645	819	1,868	2.28
1986.....	82	189	6,693	644	1,787	2.77
1987.....	82	187	6,593	700	1,335	1.91
1988.....	96	180	6,162	660	1,724	2.61
TOTAL..	---	---	---	11,377	18,484	1.62
PEANUT						
1962-1980	1,122	74,839	568,939	29,162	39,295	1.35
1981.....	140	10,364	269,962	14,445	8,953	0.62
1982.....	175	7,475	181,791	9,734	7,701	0.79
1983.....	208	5,940	161,798	9,743	28,521	2.93
1984.....	246	4,983	151,818	9,271	7,939	0.86
1985.....	258	3,221	93,745	5,413	5,883	1.09
1986.....	271	2,130	73,924	4,071	10,319	2.53
1987.....	278	2,164	86,987	4,718	12,267	2.60
1988.....	278	1,804	76,565	4,171	6,522	1.56
TOTAL..	---	---	---	90,729	127,400	1.40
PEPPER						
1984.....	4	14	2,177	211	247	1.17
1985.....	4	7	1,719	162	455	2.81
1986.....	10	10	4,828	499	1,070	2.15
1987.....	10	10	5,028	501	76	0.15
1988.....	10	13	4,641	463	209	0.45
TOTAL..	---	---	---	1,835	2,057	1.12
POPCORN						
1984.....	119	39	440	34	30	0.90
1985.....	55	109	1,903	115	348	3.03
1986.....	113	64	908	55	111	2.01
1987.....	175	45	638	43	13	0.29
1988.....	184	56	689	57	86	1.51
TOTAL..	---	---	---	304	588	1.93

GOVERNMENT OPERATIONS - CROP INSURANCE EXPERIENCE BY YEAR 1948-1988
ALL PROGRAMS
(DOLLARS IN THOUSANDS)

PROGRAM AND CROP YEAR	COUNTY PROGRAMS (NUMBER)	POLICIES INSURED (NUMBER)	AMOUNT OF PROTECTION (DOLLARS)	AMOUNT OF PREMIUM (DOLLARS)	AMOUNT OF INDEMNITIES (DOLLARS)	LOSS RATIO
POTATOES						
1962-1980	107	4,068	22,511	1,297	2,670	2.06
1981.....	4	40	3,605	214	290	1.36
1982.....	4	16	967	56	116	2.07
1983.....	49	83	7,773	426	1,205	2.83
1984.....	187	139	14,996	938	1,468	1.56
1985.....	98	200	22,614	1,251	4,252	3.40
1986.....	167	235	28,552	1,569	2,820	1.80
1987.....	211	103	12,048	631	2,924	4.64
1988.....	237	114	15,808	813	2,115	2.60
TOTAL..	---	---	---	7,195	17,860	2.48
PREV. PLANTING ENDORSEMENT						
1986.....	0	0	0	1	1	1.00
1987.....	0	0	0	0	0	0.00
1988.....	0	0	0	0	0	0.00
TOTAL..	---	---	---	1	1	1.00
PREV. PLANTING						
1982.....	10	316	3,571	109	613	5.62
1983.....	10	72	414	13	17	1.31
1984.....	10	25	151	5	2	0.40
1985.....	10	11	61	1	3	1.97
1986.....	10	75	963	29	259	8.85
1987.....	0	0	0	0	0	0.00
1988.....	0	0	0	0	0	0.00
TOTAL..	---	---	---	158	894	5.67
PRUNES						
1986.....	13	21	2,410	154	546	3.54
1987.....	13	26	3,178	208	30	0.15
1988.....	13	28	3,031	194	168	0.87
TOTAL..	---	---	---	556	744	1.34
RAISIN						
1961-1980	140	30,124	270,213	10,847	10,974	1.01
1981.....	7	1,736	46,060	2,733	11	0.00
1982.....	7	1,724	84,231	5,389	33,854	6.28
1983.....	7	978	47,077	4,441	4,024	0.91
1984.....	7	642	17,993	1,419	193	0.14
1985.....	7	277	8,549	692	29	0.04
1986.....	7	250	7,213	596	1	0.00
1987.....	7	289	9,500	786	0	0.00
1988.....	7	301	12,927	1,053	0	0.00
TOTAL..	---	---	---	27,956	49,087	1.76

GOVERNMENT OPERATIONS - CROP INSURANCE EXPERIENCE BY YEAR 1948-1988
ALL PROGRAMS
(DOLLARS IN THOUSANDS)

PROGRAM AND CROP YEAR	COUNTY PROGRAMS (NUMBER)	POLICIES INSURED (NUMBER)	AMOUNT OF PROTECTION (DOLLARS)	AMOUNT OF PREMIUM (DOLLARS)	AMOUNT OF INDEMNITIES (DOLLARS)	LOSS RATIO
RICE						
1960-1980	484	5,137	108,973	3,231	4,753	1.47
1981.....	80	1,625	82,265	2,278	4,237	1.86
1982.....	146	1,543	87,296	2,364	7,999	3.38
1983.....	146	1,316	52,136	1,595	6,519	4.09
1984.....	165	439	20,335	634	935	1.47
1985.....	165	245	10,362	293	596	2.03
1986.....	165	198	6,466	170	253	1.49
1987.....	165	195	5,024	147	244	1.66
1988.....	165	281	11,265	332	502	1.51
TOTAL..	---	---	---	11,044	26,039	2.36
RYE						
1980.....	3	9	3	1	1	1.00
1981.....	3	3	9	1	0	0.00
1982.....	36	51	180	22	5	0.23
1983.....	36	58	143	17	10	0.59
1984.....	36	69	183	20	6	0.30
1985.....	36	40	86	9	13	1.51
1986.....	36	25	51	4	4	0.94
1987.....	36	22	27	3	2	0.82
1988.....	36	15	27	3	7	2.33
TOTAL..	---	---	---	80	48	0.61
SAFFLOWER						
1964-1966	6	104	20	15	17	1.13
1987.....	40	51	141	15	17	1.13
1988.....	40	85	217	26	95	3.65
TOTAL..	--	---	---	56	129	2.30
SORGHUM, HYBRID SEED						
1988.....	12	14	482	71	195	2.75
TOTAL..	---	---	---	71	195	2.75
SOYBEAN						
1955-1980	11,726	1,172,478	2,132,591	119,230	106,541	0.89
1981.....	1,089	90,028	1,217,849	95,177	173,085	1.82
1982.....	1,323	68,346	1,154,569	98,476	208,882	2.12
1983.....	1,609	45,955	609,180	58,936	152,838	2.59
1984.....	1,726	38,920	521,086	47,263	85,134	1.80
1985.....	1,867	25,559	320,380	24,813	38,633	1.56
1986.....	1,868	18,352	187,613	13,690	25,603	1.87
1987.....	1,868	14,870	150,268	10,498	13,423	1.28
1988.....	1,879	13,686	148,817	11,804	20,727	1.76
TOTAL..	---	---	---	479,887	824,865	1.72

GOVERNMENT OPERATIONS - CROP INSURANCE EXPERIENCE BY YEAR 1948-1988
ALL PROGRAMS
(DOLLARS IN THOUSANDS)

PROGRAM AND CROP YEAR	COUNTY PROGRAMS (NUMBER)	POLICIES INSURED (NUMBER)	AMOUNT OF PROTECTION (DOLLARS)	AMOUNT OF PREMIUM (DOLLARS)	AMOUNT OF INDEMNITIES (DOLLARS)	LOSS RATIO
STONEFRUIT						
1988.....	16	11	347	31	2	0.06
TOTAL..	---	---	---	31	2	0.06
SUGAR BEET						
1965-1980	1,241	25,721	263,887	11,484	8,899	0.77
1981.....	104	1,133	54,189	2,731	1,617	0.59
1982.....	114	555	23,790	1,168	604	0.52
1983.....	105	405	18,940	934	697	0.75
1984.....	123	279	13,284	664	450	0.68
1985.....	144	254	14,107	606	586	0.97
1986.....	145	254	15,398	661	353	0.54
1987.....	143	277	18,717	785	301	0.38
1988.....	145	310	22,229	853	714	0.84
TOTAL..	---	---	---	19,886	14,222	0.72
SUGARCANE						
1967-1980	181	3,906	98,409	3,232	2,791	0.86
1981.....	20	111	15,291	623	758	1.22
1982.....	23	114	28,192	1,263	1,015	0.80
1983.....	23	62	23,202	1,100	4,793	4.36
1984.....	23	33	5,880	243	63	0.26
1985.....	23	23	2,070	95	10	0.11
1986.....	23	12	848	28	0	0.00
1987.....	23	4	463	19	0	0.00
1988.....	23	7	856	49	0	0.00
TOTAL..	---	---	---	6,652	9,430	1.42
SUNFLOWER						
1976-1980	154	15,167	110,747	7,462	7,686	1.03
1981.....	83	6,248	73,485	6,195	4,350	0.70
1982.....	106	4,873	58,383	4,899	7,017	1.43
1983.....	108	2,897	25,777	2,090	2,328	1.11
1984.....	138	2,782	26,598	2,191	3,395	1.55
1985.....	165	1,890	17,552	1,419	6,113	4.31
1986.....	165	1,068	7,490	681	1,247	1.83
1987.....	169	960	5,196	461	188	0.41
1988.....	194	884	4,793	453	956	2.11
TOTAL..	---	---	---	25,851	33,281	1.29

GOVERNMENT OPERATIONS - CROP INSURANCE EXPERIENCE BY YEAR 1948-1988
ALL PROGRAMS
(DOLLARS IN THOUSANDS)

PROGRAM AND CROP YEAR	COUNTY PROGRAMS (NUMBER)	POLICIES INSURED (NUMBER)	AMOUNT OF PROTECTION (DOLLARS)	AMOUNT OF PREMIUM (DOLLARS)	AMOUNT OF INDEMNITIES (DOLLARS)	LOSS RATIO
SWEET CORN						
1978-1980	9	320	1,417	91	54	0.59
1981.....	25	190	627	43	48	1.12
1982.....	53	241	1,187	83	36	0.43
1983.....	53	227	1,110	76	90	1.18
1984.....	90	213	1,279	91	38	0.42
1985.....	144	121	907	62	85	1.38
1986.....	159	114	1,033	66	40	0.61
1987.....	176	96	961	62	66	1.05
1988.....	189	54	779	50	69	1.38
TOTAL..	---	---	---	624	526	0.84
SWEET CORN, FRESH MARKET						
1985.....	1	2	117	7	1	0.20
1986.....	1	3	193	12	0	0.00
1987.....	1	2	398	24	19	0.79
1988.....	2	6	634	45	14	0.31
TOTAL..	---	---	---	89	35	0.39
TOBACCO						
1948-1980	6,210	2,297,418	6,205,336	159,875	166,709	1.04
1981.....	308	63,732	964,627	26,469	23,438	0.89
1982.....	335	51,937	761,301	20,971	22,055	1.05
1983.....	403	42,559	584,411	17,223	55,704	3.23
1984.....	489	37,356	490,093	14,540	7,057	0.49
1985.....	489	26,356	293,715	8,165	4,547	0.56
1986.....	489	17,119	163,782	4,835	9,025	1.87
1987.....	494	11,952	141,387	4,132	5,262	1.27
1988.....	495	9,630	130,003	3,776	3,209	0.85
TOTAL..	---	---	---	259,985	297,006	1.14
TOMATO						
1963-1980	181	2,528	11,324	705	529	0.75
1981.....	18	57	5,266	296	117	0.40
1982.....	21	77	13,826	745	1,954	2.62
1983.....	21	42	4,695	275	304	1.11
1984.....	29	16	1,603	103	223	2.17
1985.....	47	26	2,205	130	196	1.50
1986.....	65	24	2,460	[illegible]	167	0.94
1967.....	74	24	1,923	142	225	1.58
1988.....	84	32	2,793	186	301	1.62
TOTAL..	---	---	---	2,761	4,016	1.45

GOVERNMENT OPERATIONS - CROP INSURANCE EXPERIENCE BY YEAR 1948-1988
ALL PROGRAMS
(DOLLARS IN THOUSANDS)

PROGRAM AND CROP YEAR	COUNTY PROGRAMS (NUMBER)	POLICIES INSURED (NUMBER)	AMOUNT OF PROTECTION (DOLLARS)	AMOUNT OF PREMIUM (DOLLARS)	AMOUNT OF INDEMNITIES (DOLLARS)	LOSS RATIO
TOMATOES, FRESH						
1984.....	4	31	10,326	646	4,565	7.07
1985.....	4	26	18,553	1,324	7,622	5.76
1986.....	13	37	32,273	2,483	4,069	1.64
1987.....	26	47	40,758	3,892	2,276	0.58
1988.....	26	55	31,261	3,668	887	0.24
TOTAL..	---	---	---	12,013	19,419	1.62
WALNUT						
1984.....	22	13	413	23	1	0.04
1985.....	29	10	206	11	6	0.49
1986.....	29	10	201	12	17	1.42
1987.....	29	10	316	18	0	0.00
1988.....	29	12	663	33	3	0.09
TOTAL..	---	---	---	97	26	0.27
WHEAT						
1948-1980	18,633	3,031,885	6,682,338	472,273	497,712	1.05
1981.....	942	72,050	967,898	72,923	70,963	0.97
1982.....	2,820	68,675	961,585	73,360	67,687	0.92
1983.....	2,830	45,694	499,062	35,829	36,450	1.02
1984.....	2,848	38,551	481,987	35,103	54,823	1.56
1985.....	2,848	30,208	392,047	28,957	84,157	2.91
1986.....	2,849	22,073	268,949	18,191	27,477	1.51
1987.....	2,849	19,211	192,163	13,300	14,170	1.07
1988.....	2,849	19,482	192,247	14,467	65,137	4.50
TOTAL..	---	---	---	764,403	918,576	1.20
CHERRY						
1963-1966	4	451	1,371	150	391	2.61
TOTAL..	---	---	---	150	391	2.61
TUNG NUT						
1965-1970	6	177	458	90	67	0.74
TOTAL..	---	---	---	90	67	0.74
PUERTO RICO REINSURANCE						
1968-1978	0	0	11,883	618	90	0.15
TOTAL..	---	---	---	618	90	0.15

GOVERNMENT OPERATIONS - CROP INSURANCE EXPERIENCE BY YEAR 1948-1988
ALL PROGRAMS
(dollars in thousands)

PROGRAM AND CROP YEAR	COUNTY PROGRAMS (NUMBER)	CROPS INSURED (NUMBER)	AMOUNT OF PROTECTION (DOLLARS)	AMOUNT OF PREMIUM (DOLLARS)	AMOUNT OF INDEMNITIES (DOLLARS)	LOSS RATIO
GRAND TOTAL						
1948-1980..	71,279	10,503,243	26,721,749	1,419,456	1,562,205	1.10
1981.......	5,969	407,643	5,797,132	366,361	398,751	1.09
1982.......	14,498	311,370	4,856,758	320,659	458,460	1.43
1983.......	15,415	212,019	2,778,428	184,108	404,867	2.20
1984.......	17,868	188,112	2,668,523	175,984	257,680	1.46
1985.......	18,892	135,418	1,873,621	117,659	209,908	1.78
1986.......	19,053	98,170	1,214,974	77,051	120,651	1.57
1987.......	19,263	81,049	974,573	60,941	68,189	1.12
1988.......	19,508	74,518	959,077	63,991	153,394	2.40
TOTAL.....	---	---	---	2,786,210	3,634,105	1.30

SUMMARY OF REINSURANCE EXPERIENCE 1981-1988

The following tables summarize the reinsurance experience: (1) crop year 1988 by crop; (2) crop year 1988 by state; (3) crop years 1981 through 1988 cumulative summary of experience by crop; and (4) crop years 1981 through 1988 showing premiums and indemnities as a percent of insurance protection.

REINSURANCE OPERATIONS - SUMMARY OF 1988 CROP YEAR EXPERIENCE BY CROP
(DOLLARS IN THOUSANDS)

Crop	No. of Policies Insured	Amt. of Prot.	Prem.	Indem.	Prem Comp. with Indem a/	Loss Ratio
Almond	995	82,944	5,158	5,034	124	0.98
Apple	812	49,558	4,448	10,226	-5,778	2.30
Barley	21,011	121,262	10,453	50,012	-39,559	4.78
Bean	4,230	58,778	4,851	9,894	-5,043	2.04
Citrus	728	28,844	2,428	883	1,545	0.36
Citrus Tree	571	32,910	1,349	0	1,345	0.00
Combined Crop	0	0	0	0	0	0.00
Corn	105,154	1,622,737	83,195	270,569	-187,374	3.25
Cotton	14,957	345,619	41,987	35,879	6,108	0.85
Cotton, ELS	10	709	55	47	8	0.85
Cranberry	77	20,418	590	556	34	0.94
Figs	49	1,980	181	181	0	1.00
Flax	741	1,581	189	898	-709	4.75
Forage Prod.	25	573	28	91	-63	3.25
Forage Seeding.	28	36	3	1	2	0.33
Grain Sorghum	14,691	87,057	6,744	9,338	-2,594	1.38
Grape	646	30,648	2,167	387	1,780	0.18
Grape, Table	90	7,378	561	350	211	0.62
Hybrid Seed	3,694	97,675	6,665	34,843	-28,178	5.23
Macadamia Nuts	7	2,631	37	0	37	0.00
Macadamia Trees.	7	11,727	164	0	164	0.00
Nursery Stock	0	0	0	0	0	0.00
Oats	7,879	13,723	1,396	8,041	-6,645	5.76
Onion	49	2,089	145	428	-283	2.95
Pea	2,372	18,111	1,520	2,954	-1,434	1.94
Peach	259	8,036	924	1,858	-934	2.01
Peanut	8,145	380,460	18,791	28,133	-9,342	1.50
Pepper	11	2,480	213	200	13	0.94
Popcorn	432	5,799	386	994	-608	2.58
Potato	920	113,593	5,905	16,930	-11,025	2.87
Prev.Plant.Endo.	0	0	0	0	0	0.00
Prune	115	9,174	580	1,227	-647	2.12
Raisin	2,180	110,413	9,550	0	9,550	0.00
Rice	2,256	86,715	2,548	7,075	-4,527	2.78
Rye	73	139	14	55	-41	3.93
Safflower	146	440	61	252	-191	4.13
Sorg.Hybrid Seed	7	220	27	24	3	0.89
Soybean	91,082	1,037,931	68,928	134,742	-65,814	1.95
Stonefruit	80	4,914	376	526	-150	1.40
Sugar Beet	1,743	122,937	5,513	11,697	-6,184	2.12
Sugarcane	34	7,855	417	5	412	0.01
Sunflower	5,091	39,202	3,449	7,691	-4,242	2.23
Sweet Corn	1,852	18,757	1,070	1,888	-818	1.76
Sweet Corn, FM.	46	8,416	457	587	-130	1.28
Tobacco	19,301	462,148	13,162	12,099	1,063	0.92
Tomato	313	55,600	3,535	2,233	1,302	0.63
Tomato, Fresh	55	11,046	875	137	738	0.16
Walnut	36	1,207	63	21	42	0.33
Wheat	71,802	858,241	60,938	231,395	-170,457	3.80
Sub-total	384,802	5,984,711	372,096	900,381	-528,285	2.42
Puerto Rico Rein	2,310	48,299	1,567	0	1,567	0.00
GRAND TOTAL	387,112	6,033,010	373,663	900,381	-526,718	2.41

a/ Excess of indemnities over premium indicated by (-) minus sign.

REINSURANCE OPERATIONS-SUMMARY OF 1988 CROP YEAR EXPERIENCE BY STATE
(DOLLARS IN THOUSANDS)

State	No. of Policies Insured	Amount of Protection	Prem.	Indem.	Premiums Comp. with Indem. a/
Alabama..........	2,711	105,689	6,710	12,802	-6,092
Alaska..........	0	0	0	0	0
Arizona.........	96	7,063	445	875	-430
Arkansas.........	4,660	94,177	9,582	17,240	-7,658
California......	4,736	329,357	23,748	11,552	12,196
Colorado........	3,233	63,187	5,881	3,782	2,099
Connecticut.....	3	37	2	0	2
Delaware........	109	2,070	147	172	-25
Florida.........	634	54,146	3,779	2,470	1,309
Georgia.........	7,668	264,786	15,019	25,535	-10,516
Hawaii..........	14	14,358	201	0	201
Idaho...........	2,961	86,756	5,057	10,722	-5,665
Illinois........	20,344	300,382	13,282	79,441	-66,159
Indiana.........	7,563	120,405	5,481	25,032	-19,551
Iowa............	69,137	939,543	38,361	146,360	-107,999
Kansas..........	26,579	204,470	15,165	13,230	1,935
Kentucky........	7,424	58,828	3,072	5,906	-2,834
Louisiana.......	3,254	81,529	9,163	18,306	-9,143
Maine...........	47	4,171	262	290	-28
Maryland........	486	9,977	684	2,015	-1,331
Massachusetts...	24	2,284	71	0	71
Michigan........	2,512	53,743	3,230	14,356	-11,126
Minnesota.......	32,559	490,492	27,208	79,540	-52,332
Mississippi.....	2,431	70,991	7,722	15,314	-7,592
Missouri........	16,217	126,978	11,025	23,072	-12,047
Montana.........	11,283	166,848	12,905	70,994	-58,089
Nebraska........	34,338	446,015	24,298	15,241	9,057
Nevada..........	0	0	0	0	0
New Hampshire...	0	0	0	0	0
New Jersey......	24	1,721	233	951	-718
New Mexico......	261	5,230	559	884	-325
New York........	183	5,544	306	320	-14
North Carolina..	11,821	349,776	12,855	10,015	2,840
North Dakota....	40,963	402,904	29,516	163,015	-133,499
Ohio............	4,603	58,662	2,922	9,190	-6,268
Oklahoma........	3,520	48,779	3,701	3,383	318
Oregon..........	1,812	41,072	1,660	1,298	362
Pennsylvania....	324	6,782	481	1,428	-947
Rhode Island....	1	275	16	0	16
South Carolina..	2,402	69,255	3,538	3,778	-240
South Dakota....	19,546	160,046	14,207	47,561	-33,354
Tennessee.......	1,411	11,249	1,145	2,069	-924
Texas...........	20,500	390,614	41,795	34,468	7,327
Utah............	110	2,379	249	649	-400
Vermont	10	48	3	2	1
Virginia........	5,998	104,110	4,690	7,755	-3,065
Washington..... .	6,765	166,912	8,462	6,564	1,898
West Virginia...	83	2,324	191	960	-769
Wisconsin.......	2,720	47,487	2,347	10,701	-8,354
Wyoming.........	722	11,260	720	1,143	-423
TOTAL.......	384,802	5,984,711	372,096	900,381	-528,285
Puerto Rico Rein	2,310	48,299	1,567	0	1,567
GRAND TOTAL.....	387,112	6,033,010	373,663	900,381	-526,718

a/ Excess of indemnities over premium indicated by (-) minus sign.

FEDERAL CROP INSURANCE CORPORATION
REINSURANCE OPERATIONS - CUMULATIVE SUMMARY OF EXPERIENCE - BY CROP
CROP YEARS 1981-1988
(DOLLARS IN THOUSANDS)

Crop	Premiums	Indemnities	Prem. Compare with Indem. a/	Loss Ratio
Almond	$18,584	$25,547	-$6,963	1.37
Apple	12,176	24,236	-12,061	1.99
Barley	51,825	149,532	-97,707	2.89
Bean	23,261	41,642	-18,382	1.79
Citrus	8,502	9,968	-1,466	1.17
Citrus Tree	3,798	6,695	-2,897	1.76
Combined Crop	0	0	0	0.00
Corn	435,816	551,033	-115,217	1.26
Cotton	147,870	193,111	-45,242	1.31
Cotton, ELS	244	107	137	0.44
Cranberry	1,862	1,626	237	0.87
Figs	181	181	0	1.00
Flax	1,630	2,479	-849	1.52
Forage Prod	41	125	-84	3.05
Forage Seeding	16	20	-4	1.25
Grain Sorghum	55,497	92,718	-37,220	1.67
Grape	14,347	16,893	-2,546	1.18
Grape, Table	5,152	8,480	-3,328	1.65
Hybrid Seed	28,105	54,170	-26,065	1.93
Macadamia Nuts	37	0	37	0.00
Macadamia Trees	164	0	164	0.00
Nursery Stock	843	14	829	0.02
Oat	5,224	12,778	-7,554	2.45
Onions	145	428	-283	2.95
Pea	4,283	5,188	-905	1.21
Peach	5,798	11,589	-5,791	2.00
Peanut	70,382	127,539	-57,157	1.81
Pepper	1,914	2,605	-692	1.36
Popcorn	1,625	3,414	-1,789	2.10
Potato	16,868	46,380	-29,512	2.75
Prev. Planting Endo.	12	217	-205	18.07
Prunes	1,421	4,187	-2,765	2.95
Raisin	55,443	25,256	30,186	0.46
Rice	6,589	18,005	-11,416	2.73
Rye	78	90	-12	1.15
Safflower	114	302	-188	2.65
Sorghum, Hybrid Seed	27	24	3	0.89
Soybean	342,237	612,301	-270,064	1.79
Stonefruit	376	526	-150	1.40
Sugar Beet	15,012	20,070	-5,058	1.34
Sugarcane	3,155	4,677	-1,522	1.48
Sunflower	18,687	34,937	-16,250	1.87
Sweet Corn	2,043	2,440	-397	1.19
Sweet Corn, FM	1,354	2,102	-747	1.55
Tobacco	65,625	75,860	-10,235	1.16
Tomato	18,236	12,311	5,925	0.68
Tomato, Fresh	5,559	7,056	-1,498	1.27
Walnut	474	460	14	0.97
Wheat	302,999	601,169	-298,170	1.98
Puerto Rico Reins. (NEW)	8,177	5,826	2,351	0.71
Grand Total	1,763,809	2,816,315	-1,052,506	1.60

a/ Excess of indemnities over premium indicated by (-) minus sign.

The following table is a recap of premium, subsidy, losses and expenses for reinsurance operations for the 1981 through 1988 crop years.

REINSURANCE OPERATIONS - SUMMARY OF EXPERIENCE 1981-1988
(dollars in thousands)

Year	Amount of Protection	Premium	Premium Subsidy	Indemnities	Admin. Expenses	Premium (as % of Protection)	Indemnities (As % of Protection)	Loss Ratio
1981	$184,901	$12,808	$989	$9,350	$4,247	6.9%	5.1%	0.73
1982	1,276,596	78,012	18,283	69,699	23,702	6.1%	5.5%	0.89
1983	1,627,166	107,245	24,216	182,825	44,145	6.6%	11.2%	1.70
1984	3,990,638	259,998	59,465	385,392	106,289	6.5%	9.7%	1.48
1985	5,298,926	322,332	74,001	472,786	128,949	6.1%	8.9%	1.47
1986	5,017,490	304,052	71,041	494,910	101,227	6.1%	9.9%	1.63
1987	5,160,281	305,699	73,780	300,972	105,439	5.9%	5.8%	0.98
1988	6,033,010	373,663	92,734	900,381	153,799	6.2%	14.9%	2.41
TOTAL, 1981-1988	28,589,008	1,763,809	414,509	2,816,315	667,797	6.2%	9.9%	1.60

Note: Beginning with the 1986 Reinsurance Agreement, loss adjustment expenses were included in the percent reimbursed the companies for administrative expenses. Prior to 1986, loss adjustment expenses reimbursement was calculated at four percent of total premium, and three percent total indemnities.

Totals include Peurto Rico Reinsurance.

SUMMARY OF REINSURANCE EXPERIENCE - 1989

At the end of FY 1989, total premium earned by the 38 reinsured companies was $625.4 million, and net acres insured amounted to 78.6 million. As final acreage reports are processed, reinsurance premium will probably reach $696 million (representing 87 percent of the total business projected for the program) with losses at about $1.2 billion.

The reinsurance administrative and loss adjustment expenses are paid from appropriated funds.

REINSURANCE OPERATIONS - CROP INSURANCE EXPERIENCE BY YEAR 1981-1988
ALL PROGRAMS
(DOLLARS IN THOUSANDS)

PROGRAM AND CROP YEAR	COUNTY PROGRAMS (NUMBER)	POLICIES INSURED (NUMBER)	AMOUNT OF PROTECTION (DOLLARS)	AMOUNT OF PREMIUM (DOLLARS)	AMOUNT OF INDEMNITIES (DOLLARS)	LOSS RATIO
ALMOND						
1981....	---	0	0	0	0	0.00
1982....	---	0	0	0	0	0.00
1983....	---	139	16,098	1,192	4,348	3.65
1984....	---	550	39,153	2,891	20	0.01
1985....	---	540	42,820	3,137	3,481	1.11
1986....	---	452	31,184	2,101	12,134	5.78
1987....	---	797	62,407	4,105	530	0.13
1988....	---	995	82,944	5,158	5,034	0.98
TOTAL..	---	---	---	18,584	25,547	1.37
APPLE						
1981....	---	0	0	0	0	0.00
1982....	---	42	950	94	213	2.27
1983....	---	52	1,035	99	22	0.22
1984....	---	105	4,089	351	955	2.72
1985....	---	173	11,907	968	2,334	2.41
1986....	---	512	30,329	2,676	7,179	2.68
1987....	---	762	38,096	3,540	3,307	0.93
1988....	---	812	49,558	4,448	10,226	2.30
TOTAL..	---	---	---	12,176	24,236	1.99
BARLEY						
1981....	---	551	5,520	502	360	0.72
1982....	---	2,914	23,378	1,956	902	0.46
1983....	---	4,433	41,226	3,445	2,696	0.78
1984....	---	6,878	80,588	6,289	14,463	2.30
1985....	---	12,242	140,119	11,301	51,688	4.57
1986....	---	16,415	132,436	10,262	19,596	1.91
1987....	---	17,635	102,028	7,617	9,815	1.29
1988....	---	21,011	121,262	10,453	50,012	4.78
TOTAL..	---	---	---	51,825	149,532	2.89
BEAN						
1981....	---	10	87	9	1	0.11
1982....	---	721	16,481	1,483	4,522	3.05
1983....	---	943	11,023	930	1,350	1.45
1984....	---	1,751	31,678	2,536	2,718	1.07
1985....	---	2,187	38,940	3,075	6,739	2.19
1986....	---	2,848	51,079	4,313	5,861	1.36
1987....	---	4,509	75,194	6,064	10,557	1.74
1988....	---	4,230	58,778	4,851	9,894	2.04
TOTAL..	---	---	---	23,261	41,642	1.79

REINSURANCE OPERATIONS - CROP INSURANCE EXPERIENCE BY YEAR 1981-1988
ALL PROGRAMS
(DOLLARS IN THOUSANDS)

PROGRAM AND CROP YEAR	COUNTY PROGRAMS (NUMBER)	POLICIES INSURED (NUMBER)	AMOUNT OF PROTECTION (DOLLARS)	AMOUNT OF PREMIUM (DOLLARS)	AMOUNT OF INDEMNITIES (DOLLARS)	LOSS RATIO
CITRUS						
1981....	---	0	0	0	0	0.00
1982....	---	161	4,448	414	133	0.32
1983....	---	0	0	0	0	0.00
1984....	---	212	7,572	695	2,797	4.02
1985....	---	382	10,983	992	4,466	4.50
1986....	---	605	19,859	1,858	1,433	0.77
1987....	---	752	24,487	2,115	256	0.12
1988....	---	728	28,844	2,428	883	0.36
TOTAL..	---	---	---	8,502	9,968	1.17
CITRUS TREE						
1983....	---	0	0	0	0	0.00
1984....	---	41	6,792	290	6,310	21.76
1985....	---	508	9,041	420	327	0.78
1986....	---	544	14,266	657	58	0.09
1987....	---	568	26,302	1,082	0	0.00
1988....	---	571	32,910	1,349	0	0.00
TOTAL..	---	---	---	3,798	6,695	1.76
COMBINED CROP						
1981....	---	0	0	0	0	0
1982....	---	0	0	0	0	0
1983....	---	0	0	0	0	0
1984....	---	0	0	0	0	0
1985....	---	0	0	0	0	0
1986....	---	0	0	0	0	0
1987....	-	0	0	0	0	0
1988....	---	0	0	0	0	0
TOTAL..	---	---	---	0	0	0
CORN						
1981....	--	3,466	79,139	4,744	1,780	0.38
1982....	---	19,294	361,706	18,997	10,071	0.53
1983....	---	24,087	325,407	17,849	46,197	2.59
1984....	---	58,818	1,300,112	68,048	58,967	0.87
1985....	---	80,334	1,860,825	89,542	54,850	0.61
1986....	---	89,017	1,637,900	83,671	67,574	0.81
1987....	---	102,410	1,423,636	69,770	41,025	0.59
1988....	---	105,154	1,622,737	83,195	270,569	3.25
TOTAL..	---	---	---	435,816	551,033	1.26

REINSURANCE OPERATIONS - CROP INSURANCE EXPERIENCE BY YEAR 1981-1988
ALL PROGRAMS
(DOLLARS IN THOUSANDS)

PROGRAM AND CROP YEAR	COUNTY PROGRAMS (NUMBER)	POLICIES INSURED (NUMBER)	AMOUNT OF PROTECTION (DOLLARS)	AMOUNT OF PREMIUM (DOLLARS)	AMOUNT OF INDEMNITIES (DOLLARS)	LOSS RATIO
COTTON						
1981....	---	126	5,649	659	896	1.36
1982....	---	874	29,448	3,290	7,848	2.39
1983....	---	2,075	66,738	7,381	13,403	1.82
1984....	---	9,936	260,879	29,746	53,105	1.79
1985....	---	7,656	183,846	17,061	9,668	0.57
1986....	---	10,969	191,838	20,696	59,439	2.87
1987....	---	15,116	253,042	27,050	12,873	0.48
1988....	---	14,957	345,619	41,987	35,879	0.85
TOTAL..	---	---	---	147,870	193,111	1.31
COTTON, ELS						
1984....	---	11	475	45	0	0.00
1985....	---	15	817	45	0	0.00
1986....	---	18	870	72	0	0.00
1987....	---	13	370	27	60	2.22
1988....	---	10	709	55	47	0.85
TOTAL..	---	---	---	244	107	0.44
CRANBERRY						
1984....	---	22	1,597	121	64	0.53
1985....	---	50	6,323	185	35	0.19
1986....	---	55	12,705	389	533	1.37
1987....	---	78	19,772	577	438	0.76
1988....	---	77	20,418	590	556	0.94
TOTAL..	---	---	---	1,862	1,626	0.87
FIGS						
1988....	---	49	1,980	181	181	1.00
TOTAL..	---	---	---	181	181	1.00
FLAX						
1981....	---	4	18	2	0	0.00
1982....	---	429	1,132	150	192	1.28
1983....	---	429	886	123	127	1.03
1984....	---	491	1,356	171	144	0.84
1985....	---	954	2,594	313	352	1.12
1986....	---	1,221	3,442	393	514	1.31
1987....	---	1,085	2,446	289	252	0.87
1988....	---	741	1,581	189	898	4.75
TOTAL..	---	---	---	1,630	2,479	1.52

REINSURANCE OPERATIONS - CROP INSURANCE EXPERIENCE BY YEAR 1981-1988
ALL PROGRAMS
(DOLLARS IN THOUSANDS)

PROGRAM AND CROP YEAR	COUNTY PROGRAMS (NUMBER)	POLICIES INSURED (NUMBER)	AMOUNT OF PROTECTION (DOLLARS)	AMOUNT OF PREMIUM (DOLLARS)	AMOUNT OF INDEMNITIES (DOLLARS)	LOSS RATIO
FORAGE PRODUCTION						
1981....	---	1	2	0	0	0.00
1982....	---	6	16	1	2	2.00
1983....	---	2	7	0	1	0.00
1984....	---	12	96	6	13	2.17
1985....	---	10	71	4	18	4.50
1986....	---	5	24	1	0	0.00
1987....	---	3	16	1	0	0.00
1988....	---	25	573	28	91	3.25
TOTAL..	---	---	---	41	125	3.05
FORAGE SEEDING						
1981....	---	0	0	0	0	0.00
1982....	---	18	161	1	3	3.00
1983....	---	21	17	1	0	0.00
1984....	---	21	24	2	2	1.00
1985....	---	34	38	4	6	1.50
1986....	---	25	28	2	5	2.50
1987....	---	28	38	3	3	1.00
1988....	---	28	36	3	1	0.33
TOTAL..	---	---	---	16	20	1.25
GRAIN SORGHUM						
1981....	---	1,694	16,190	1,429	1,383	0.97
1982....	---	3,483	36,671	3,097	2,989	0.97
1983....	---	4,275	36,125	3,311	5,640	1.70
1984....	---	10,788	122,960	10,729	26,315	2.45
1985....	---	15,099	160,097	11,334	18,010	1.59
1986....	---	17,897	148,325	11,598	21,406	1.85
1987....	---	16,704	96,222	7,255	7,637	1.05
1988....	---	14,691	87,057	6,744	9,338	1.38
TOTAL..	---	---	---	55,497	92,718	1.67
GRAPE						
1981....	---	0	0	0	0	0.00
1982....	---	1	12	1	0	0.00
1983....	---	790	64,665	3,947	10,312	2.61
1984....	---	1,048	47,487	3,131	3,156	1.01
1985....	---	748	25,827	1,740	1,300	0.75
1986....	---	626	20,024	1,406	989	0.70
1987....	---	658	28,077	1,955	749	0.38
1988....	---	646	30,648	2,167	387	0.18
TOTAL..	---	---	---	14,347	16,893	1.18

REINSURANCE OPERATIONS - CROP INSURANCE EXPERIENCE BY YEAR 1981-1988
ALL PROGRAMS
(DOLLARS IN THOUSANDS)

PROGRAM AND CROP YEAR	COUNTY PROGRAMS (NUMBER)	POLICIES INSURED (NUMBER)	AMOUNT OF PROTECTION (DOLLARS)	AMOUNT OF PREMIUM (DOLLARS)	AMOUNT OF INDEMNITIES (DOLLARS)	LOSS RATIO
GRAPE, TABLE						
1984....	---	198	19,011	1,515	4,959	3.27
1985....	---	207	18,887	1,398	2,095	1.50
1986....	---	152	11,964	958	856	0.89
1987....	---	116	8,836	720	220	0.31
1988....	---	90	7,378	561	350	0.62
TOTAL..	---	---	---	5,152	8,480	1.65
HYBRID SEED						
1983....	---	59	1,991	87	1,360	15.63
1984....	---	466	20,336	1,070	3,503	3.27
1985....	---	3,924	131,338	9,338	6,190	0.66
1986....	---	3,723	91,209	6,342	4,154	0.65
1987....	---	2,906	67,002	4,603	4,120	0.90
1988....	---	3,694	97,675	6,665	34,843	5.23
TOTAL..	---	---	---	28,105	54,170	1.93
MACADAMIA NUTS						
1988....	---	7	2,631	37	0	0.00
TOTAL..	---	---	---	37	0	0.00
MACADAMIA TREES						
1988....	---	7	11,727	164	0	0.00
TOTAL..	---	---	---	164	0	0.00
NURSERY STOCK						
1984....	---	0	0	0	0	0.00
1985....	---	4	10,754	213	0	0.00
1986....	---	24	8,921	270	0	0.00
1987....	---	33	11,527	360	14	0.04
1988....	---	0	0	0	0	0.00
TOTAL..	---	---	---	843	14	0.02

REINSURANCE OPERATIONS - CROP INSURANCE EXPERIENCE BY YEAR 1981-1988
ALL PROGRAMS
(DOLLARS IN THOUSANDS)

PROGRAM AND CROP YEAR	COUNTY PROGRAMS (NUMBER)	POLICIES INSURED (NUMBER)	AMOUNT OF PROTECTION (DOLLARS)	AMOUNT OF PREMIUM (DOLLARS)	AMOUNT OF INDEMNITIES (DOLLARS)	LOSS RATIO
OAT						
1981....	---	510	1,745	189	352	1.86
1982....	---	2,459	5,876	588	316	0.54
1983....	---	2,372	4,516	495	345	0.70
1984....	---	3,061	6,097	658	927	1.41
1985....	---	4,833	9,119	826	1,091	1.32
1986....	---	4,032	5,845	511	936	1.83
1987....	---	5,350	6,659	561	770	1.37
1988....	---	7,879	13,723	1,396	8,041	5.76
TOTAL..	---	---	---	5,224	12,778	2.45
ONIONS						
1988....	---	49	2,089	145	428	2.95
TOTAL..	---	---	---	145	428	2.95
PEA						
1981....	---	0	0	0	0	0.00
1982....	---	112	1,057	71	23	0.32
1983....	---	235	2,524	193	183	0.95
1984....	---	391	4,071	316	228	0.72
1985....	---	741	8,260	650	710	1.09
1986....	---	811	8,938	702	587	0.84
1987....	---	1,035	10,414	831	503	0.61
1988....	---	2,372	18,111	1,520	2,954	1.94
TOTAL..	---	---	---	4,283	5,188	1.21
PEACH						
1981....	---	0	0	0	0	0.00
1982....	---	13	1,400	121	275	2.27
1983....	---	30	3,767	338	1,108	3.28
1984....	---	79	7,486	693	427	0.62
1985....	---	152	10,745	1,082	3,262	3.01
1986....	---	320	14,592	1,464	2,402	1.64
1987....	---	284	10,706	1,176	2,257	1.92
1988....	---	259	8,036	924	1,858	2.01
TOTAL..	---	---	---	5,798	11,589	2.00
PEANUT						
1981....	---	0	0	0	0	0.00
1982....	---	1,235	34,575	1,690	1,471	0.87
1983....	---	1,652	59,428	3,477	11,563	3.33
1984....	---	3,337	132,441	7,812	6,281	0.80
1985....	---	4,760	178,393	10,065	9,186	0.91
1986....	---	5,851	237,246	12,187	35,354	2.90
1987....	---	7,352	326,508	16,360	35,551	2.17
1988....	---	8,145	380,460	18,791	28,133	1.50
TOTAL..	---	---	---	70,382	127,539	1.81

REINSURANCE OPERATIONS - CROP INSURANCE EXPERIENCE BY YEAR 1981-1988
ALL PROGRAMS
(DOLLARS IN THOUSANDS)

PROGRAM AND CROP YEAR	COUNTY PROGRAMS (NUMBER)	POLICIES INSURED (NUMBER)	AMOUNT OF PROTECTION (DOLLARS)	AMOUNT OF PREMIUM (DOLLARS)	AMOUNT OF INDEMNITIES (DOLLARS)	LOSS RATIO
PEPPER						
1984....	---	6	1,609	183	297	1.62
1985....	---	29	2,997	265	1,132	4.27
1986....	---	66	8,801	794	853	1.07
1987....	---	31	5,224	459	123	0.27
1988....	---	11	2,480	213	200	0.94
TOTAL..	---	---	---	1,914	2,605	1.36
POPCORN						
1984....	---	172	4,889	294	987	3.36
1985....	---	256	6,813	362	755	2.09
1986....	---	187	4,588	208	445	2.14
1987....	---	380	7,107	375	233	0.62
1988....	---	432	5,799	386	994	2.58
TOTAL..	---	---	---	1,625	3,414	2.10
POTATO						
1981....	---	0	0	0	0	0.00
1982....	---	18	2,308	127	120	0.94
1983....	---	44	4,698	244	631	2.59
1984....	---	230	25,868	1,328	2,789	2.10
1985....	---	370	39,120	1,956	6,643	3.40
1986....	---	494	52,672	2,375	8,673	3.65
1987....	---	801	92,522	4,933	10,594	2.15
1988....	---	920	113,593	5,905	16,930	2.87
TOTAL..	---	---	---	16,868	46,380	2.75
PREV. PLANTING ENDORSEMENT						
1982....	---	0	0	0	0	0.00
1983....	---	0	0	0	0	0.00
1984....	---	0	0	0	0	0.00
1985....	---	0	0	0	0	0.00
1986....	---	38	388	11	217	19.73
1987....	---	5	24	1	0	0.00
1988....	---	0	0	0	0	0.00
TOTAL..	---	---	---	12	217	18.08
PRUNES						
1986....	---	44	5,141	335	2,869	8.56
1987....	---	100	7,952	506	91	0.18
1988....	---	115	9,174	580	1,227	2.12
TOTAL..	---	---	---	1,421	4,187	2.95

REINSURANCE OPERATIONS - CROP INSURANCE EXPERIENCE BY YEAR 1981-1988
ALL PROGRAMS
(DOLLARS IN THOUSANDS)

PROGRAM AND CROP YEAR	COUNTY PROGRAMS (NUMBER)	POLICIES INSURED (NUMBER)	AMOUNT OF PROTECTION (DOLLARS)	AMOUNT OF PREMIUM (DOLLARS)	AMOUNT OF INDEMNITIES (DOLLARS)	LOSS RATIO
RAISIN						
1981....	---	0	0	0	0	0.00
1982....	---	0	0	0	0	0.00
1983....	---	2,474	152,110	15,520	19,152	1.23
1984....	---	2,669	105,323	8,433	4,507	0.53
1985....	---	2,502	95,689	7,907	1,230	0.16
1986....	---	1,922	67,472	5,928	367	0.06
1987....	---	2,166	91,830	8,105	0	0.00
1988....	---	2,180	110,413	9,550	0	0.00
TOTAL..	---	---	---	55,443	25,256	0.46
RICE						
1981....	---	0	0	0	0	0.00
1982....	---	25	1,672	41	63	1.54
1983....	---	43	2,329	81	299	3.69
1984....	---	369	16,724	588	948	1.61
1985....	---	612	26,095	830	2,429	2.93
1986....	---	825	29,840	872	2,658	3.05
1987....	---	1,941	56,111	1,629	4,533	2.78
1988....	---	2,256	86,715	2,548	7,075	2.78
TOTAL..	---	---	---	6,589	18,005	2.73
RYE						
1981....	---	0	0	0	0	0.00
1982....	---	16	73	10	10	1.00
1983....	---	26	85	10	1	0.10
1984 ...	---	37	129	15	7	0.47
1985....	---	28	79	9	4	0.44
1986....	---	37	92	9	5	0.56
1987....	---	48	120	11	8	0.73
1988....	---	73	139	14	55	3.93
TOTAL..	---	---	---	78	90	1.15
SAFFLOWER						
1987....	---	123	383	53	50	0.94
1988....	---	146	440	61	252	4.13
TOTAL..	---	---	---	114	302	2.65
SORGHUM, HYBRID SEED						
1988....	---	7	220	27	24	0.89
TOTAL..	---	---	---	27	24	0.89

REINSURANCE OPERATIONS - CROP INSURANCE EXPERIENCE BY YEAR 1981-1988
ALL PROGRAMS
(DOLLARS IN THOUSANDS)

PROGRAM AND CROP YEAR	COUNTY PROGRAMS (NUMBER)	POLICIES INSURED (NUMBER)	AMOUNT OF PROTECTION (DOLLARS)	AMOUNT OF PREMIUM (DOLLARS)	AMOUNT OF INDEMNITIES (DOLLARS)	LOSS RATIO
SOYBEAN						
1981....	---	2,306	28,611	1,809	1,232	0.68
1982....	---	15,487	195,725	12,687	14,772	1.16
1983....	---	20,989	211,671	14,268	27,726	1.94
1984....	---	48,865	716,402	53,845	106,128	1.97
1985....	---	66,736	971,904	66,548	119,254	1.79
1986....	---	73,502	879,657	58,617	121,832	2.08
1987....	---	87,097	1,015,779	65,535	86,615	1.32
1988....	---	91,082	1,037,931	68,928	134,742	1.95
TOTAL..	---	---	---	342,237	612,301	1.79
STONEFRUIT						
1988....	---	80	4,914	376	526	1.40
TOTAL..	---	---	---	376	526	1.40
SUGAR BEET						
1981....	---	82	6,378	335	676	2.02
1982....	---	181	10,514	551	103	0.19
1983....	---	198	10,601	527	423	0.80
1984....	---	331	20,098	1,026	880	0.86
1985....	---	453	26,930	1,326	1,413	1.07
1986....	---	674	41,319	2,001	2,479	1.24
1987....	---	1,200	79,742	3,733	2,399	0.64
1988....	---	1,743	122,937	5,513	11,697	2.12
TOTAL..	---	---	---	15,012	20,070	1.34
SUGARCANE						
1981....	---	0	0	0	0	0.00
1982....	---	0	0	0	0	0.00
1983....	---	23	4,858	242	1,822	7.53
1984....	---	39	12,685	642	1,924	3.00
1985....	---	41	11,510	743	702	0.94
1986....	---	38	8,986	600	117	0.20
1987....	---	33	9,239	511	107	0.21
1988....	---	34	7,855	417	5	0.01
TOTAL..	---	---	---	3,155	4,677	1.48
SUNFLOWER						
1981....	---	314	4,698	389	398	1.02
1982....	---	1,868	24,917	2,040	2,820	1.38
1983....	---	1,751	17,859	1,496	1,545	1.03
1984....	---	2,771	33,007	2,625	4,088	1.56
1985....	---	3,626	45,401	3,565	12,829	3.60
1986....	---	3,496	33,739	2,796	4,225	1.51
1987....	---	40,108	28,326	2,328	1,342	0.58
1988....	---	5,091	39,202	3,449	7,691	2.23
TOTAL..	---	---	---	18,688	34,938	1.87

REINSURANCE OPERATIONS - CROP INSURANCE EXPERIENCE BY YEAR 1981-1988
ALL PROGRAMS
(DOLLARS IN THOUSANDS)

PROGRAM AND CROP YEAR	COUNTY PROGRAMS (NUMBER)	POLICIES INSURED (NUMBER)	AMOUNT OF PROTECTION (DOLLARS)	AMOUNT OF PREMIUM (DOLLARS)	AMOUNT OF INDEMNITIES (DOLLARS)	LOSS RATIO
SWEET CORN						
1981....	---	1	7	0	0	0.00
1982....	---	28	128	9	11	1.22
1983....	---	45	342	26	51	1.96
1984....	---	116	1,328	86	42	0.49
1985....	---	279	4,088	248	182	0.73
1986....	---	299	3,464	219	106	0.48
1987....	---	509	6,184	385	160	0.42
1988....	---	1,852	18,757	1,070	1,888	1.76
TOTAL..	---	---	---	2,043	2,440	1.19
SWEET CORN, FM						
1985....	---	14	2,169	107	309	2.89
1986....	---	33	7,188	399	659	1.65
1987....	---	38	7,273	391	547	1.40
1988....	---	46	8,416	457	587	1.28
TOTAL..	---	---	---	1,354	2,102	1.55
TOBACCO						
1981....	---	283	4,824	131	210	1.60
1982....	---	7,991	219,906	5,597	4,330	0.77
1983....	---	9,462	243,987	7,060	15,824	2.24
1984....	---	15,780	342,745	10,069	5,194	0.52
1985....	---	18,357	348,746	9,955	6,135	0.62
1986....	---	17,807	299,406	8,876	14,658	1.65
1987....	---	19,161	376,712	10,775	17,410	1.62
1988....	---	19,301	462,148	13,162	12,099	0.92
TOTAL..	---	---	---	65,625	75,860	1.16
TOMATO						
1981....	---	0	0	0	0	0.00
1982....	---	7	248	19	3	0.16
1983....	---	143	27,107	1,581	2,278	1.44
1984....	---	263	54,367	3,218	3,264	1.01
1985....	---	276	53,240	3,162	1,914	0.61
1986....	---	275	53,880	3,734	1,873	0.50
1987....	---	244	46,376	2,987	746	0.25
1988....	---	313	55,600	3,535	2,233	0.63
TOTAL..	---	---	---	18,236	12,311	0.68

REINSURANCE OPERATIONS - CROP INSURANCE EXPERIENCE BY YEAR 1981-1988
ALL PROGRAMS
(DOLLARS IN THOUSANDS)

PROGRAM AND CROP YEAR	COUNTY PROGRAMS (NUMBER)	POLICIES INSURED (NUMBER)	AMOUNT OF PROTECTION (DOLLARS)	AMOUNT OF PREMIUM (DOLLARS)	AMOUNT OF INDEMNITIES (DOLLARS)	LOSS RATIO
TOMATO, FRESH						
1984....	---	8	3,981	257	962	3.74
1985....	---	29	9,323	595	3,692	6.21
1986....	---	50	20,173	1,378	932	0.68
1987....	---	99	28,627	2,454	1,333	0.54
1988....	---	55	11,046	875	137	0.16
TOTAL..	---	---	---	5,559	7,056	1.27
WALNUT						
1984....	---	58	2,208	125	115	0.92
1985....	---	41	1,636	91	1	0.01
1986....	---	38	1,804	97	305	3.14
1987....	---	40	1,802	98	18	0.18
1988....	---	36	1,207	63	21	0.33
TOTAL..	---	---	---	474	460	0.97
WHEAT						
1981....	---	1,640	32,033	2,610	2,062	0.79
1982....	---	18,939	303,794	24,977	18,505	0.74
1983....	---	22,095	280,752	21,171	13,622	0.64
1984....	---	32,533	517,027	38,323	62,976	1.64
1985....	---	50,587	791,442	60,970	138,355	2.27
1986....	---	52,787	819,487	51,057	90,526	1.77
1987....	---	56,613	659,753	42,953	43,728	1.02
1988....	---	71,802	858,241	60,938	231,395	3.80
TOTAL..	---	---	---	302,999	601,169	1.98
PUERTO RICO REINS. (NEW)						
1983....	---	3,495	35,314	2,151	795	0.37
1984....	---	3,814	37,948	1,826	4,929	2.70
1985....	---	0	0	0	0	0.00
1986....	---	71	6,369	1,217	102	0.08
1987....	---	2,271	45,410	1,416	0	0.00
1988....	---	2,310	48,299	1,567	0	0.00
TOTAL..	---	---	---	8,177	5,826	0.71
GRAND TOTAL						
1981....	---	10,988	184,901	12,808	9,350	0.73
1982....	---	76,322	1,276,596	78,012	69,697	0.89
1983....	---	102,382	1,627,166	107,245	182,824	1.70
1984....	---	206,277	3,990,638	259,998	385,391	1.48
1985....	---	279,789	5,298,926	322,332	472,787	1.47
1986....	---	308,805	5,017,490	304,052	494,911	1.63
1987....	---	391,202	5,160,281	305,699	300,974	0.98
1988....	---	387,112	6,033,010	373,663	900,381	2.41
TOTAL..	---	---	---	1,763,809	2,816,315	1.60

GOVERNMENT AND REINSURANCE OPERATIONS-SUMMARY OF EXPERIENCE 1981-1988
(Dollars in Thousands)

CROP YEAR	POLICIES INSURED (NUMBER)	AMOUNT OF PROTECTION (DOLLARS)	AMOUNT OF PREMIUM (DOLLARS)	AMOUNT OF INDEMNITIES (DOLLARS)	LOSS RATIO
1981.....	418,631	5,982,033	379,169	408,101	1.08
1982.....	387,692	6,133,354	398,671	528,157	1.32
1983.....	314,401	4,405,594	291,353	587,691	2.02
1984.....	394,389	6,659,161	435,982	643,071	1.47
1985.....	415,207	7,172,547	439,991	682,695	1.55
1986.....	406,975	6,232,464	381,103	615,562	1.62
1987.....	472,251	6,134,854	366,640	369,163	1.01
1988.....	461,630	6,992,087	437,654	1,053,775	2.41
TOTAL...	3,271,176	49,712,094	3,130,563	4,888,215	1.56

THURSDAY, MARCH 8, 1990.

HUMAN NUTRITION INFORMATION SERVICE AND FOOD AND NUTRITION SERVICE

WITNESSES

CATHERINE BERTINI, ASSISTANT SECRETARY FOR FOOD AND CONSUMER SERVICES

JAMES T. HEIMBACH, ACTING ADMINISTRATOR, HUMAN NUTRITION INFORMATION SERVICE

BETTY JO NELSEN, ADMINISTRATOR, FOOD AND NUTRITION SERVICE

GEORGE BRALEY, ACTING ASSOCIATE ADMINISTRATOR, FOOD AND NUTRITION SERVICE

STEPHEN B. DEWHURST, BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

WILLIAM G. BOLING, BUDGET OFFICER, FOOD AND NUTRITION SERVICE

Mr. WHITTEN. The subcommittee will please come to order.

You know, I'm very proud of the job the Department of Agriculture has done through the years. Some of my friends might not think so, but we are just trying to keep them on the track. But we do have a lot of jurisdiction in this subcommittee. As Chairman of this committee, I have tried to enlarge it from time to time, primarily to help pass the bill. The number of people on the farm are getting smaller and smaller, but the importance of agriculture is just as great as ever. But my attention has been called to the fact that over half of the Department of Agriculture's money is in these two programs. You can imagine the interest, but they were put here and I have helped keep them here to give this bill support in the Congress.

We are glad indeed to have you with us. At this time, I believe Ms. Bertini, I would ask you to go ahead and present your statement. Your biographical sketches should be included in the record for those of you who might be new. You have got a few who have been there so long, I don't know if they can afford to put it in the record, but do the best you can.

Ms. Bertini, you may go ahead.

OPENING STATEMENT

Ms. BERTINI. Thank you, Mr. Chairman. I am Catherine Bertini, the Assistant Secretary of Agriculture for Food and Consumer Services.

With me today are Betty Jo Nelsen, who is the Administrator of the Food and Nutrition Service and also Dr. James Heimbach, who is the Acting Administrator of the Human Nutrition Information Service. In addition to that, Ms. Nelsen has with her George Braley, who is the Acting Associate Administrator of the Food and Nutrition Service; Mr. Gerry Boling, who is the Food Nutrition

Service's Budget Officer; and we are also joined today by Steve Dewhurst, who I believe you know well as the USDA Budget Officer.

1991 BUDGET

We appreciate the opportunity to appear before you to present the President's budget proposals for Fiscal Year 1991.

These two agencies together in Fiscal Year 1991 are requesting an appropriation of $23.9 billion. The Human Nutrition Information Service is requesting $10.7 million, and the Food and Nutrition Service is requesting the balance.

HUMAN NUTRITION INFORMATION SERVICE MISSION

The Human Nutrition Information Service contributes important research on the food Americans buy and eat, the level of nutrition we attain, how we make food choices, and the safety of our food supply.

The budget request continues the current level of research and promotion of dietary guidance, and includes an initiative to strengthen the Government's ability to respond to food safety concerns and to protect public health.

FOOD AND NUTRITION SERVICE MISSION

The Food and Nutrition Service helps low-income people to have an adequate and nutritious diet. The Agency also serves special target groups such as pregnant and postpartum women, infants, school children, Native Americans, and the elderly.

This budget request will continue the food assistance programs. It represents our commitment to continue to support those less fortunate Americans who rely on the benefits that our programs provide.

With your permission, Mr. Chairman, I would like to ask Dr. Heimbach and Ms. Nelsen to make their presentations and then we will be pleased to answer any questions you or the other members of the committee may have.

Thank you.

Mr. WHITTEN. You may proceed.

HNIS BUDGET

Dr. HEIMBACH. Thank you, Mr. Chairman.

Mr. Chairman and Members of the Committee, I am pleased to be here today to discuss with you the budget request for Fiscal Year 1991 for the Human Nutrition Information Service.

The mission of our Agency is fourfold: to collect, publish, and make available research on the nutrient content of foods; to monitor and report on the patterns of food consumption by Americans and the nutritional adequacy of their diets; to develop concepts and techniques for increasing the nutrition knowledge of professionals and consumers; and to provide the policy basis for issuing Federal nutrition guidance to the American public.

Our budget request for Fiscal Year 1991 is for $10.7 million, an increase of $1.7 million over the 1990 current estimate. The increase requested is threefold.

One, provide $1.0 million for HNIS' participation in the $25 million USDA Food Safety Data Initiative. HNIS will establish a Residue Exposure Assessment System which will provide data on the potential exposure of individuals to pesticide residues from agricultural products. The system will link data on pesticide residues found in agricultural products, as determined in a State-based monitoring program administered by the Agricultural Marketing Service, with data on the intake of those products by the U.S. population and population subgroups, as determined from our Nationwide Food Consumption Surveys.

Two, the increase would provide $0.5 million for a new nutrition education initiative to increase awareness of the 1990 Dietary Guidelines for Americans, to be issued later this year. We plan to make special efforts to get appropriate dietary guidance to hard-to-reach populations who may be at particular nutritional risk, including low literacy groups, the elderly, teenagers, and the poor.

Three, in addition, our budget request would support ongoing HNIS activities in the nutrition monitoring and nutrition education areas.

HNIS is the national resource for information on the nutrient content of individual foods and of the food supply, and on the food and nutrient content of diets of households and of individuals. The Agency conducts research needed for the development of materials and techniques required for helping Americans to improve their diets. We view these activities as basic to the Department's mission to assure that a safe, nutritious, wholesome supply of food is available to all Americans, and to provide information that healthy Americans can use to select nutritious and healthful diets.

Mr. Chairman, I will be happy to answer any questions that you or other committee members may have.

Thank you.

Mr. WHITTEN. Please proceed.

Ms. NELSEN. Mr. Chairman, thank you very much.

FOOD AND NUTRITION SERVICE BUDGET

Mr. Chairman and members of the committee, my name is Betty Jo Nelsen and I am the Administrator of the Food and Nutrition Service. I have submitted a statement which I would like to include in the record, and will briefly summarize my remarks for you at this time.

The 1991 budget request for the Food and Nutrition Service is $23.9 billion, as has been pointed out by the Secretary. As you, Mr. Chairman, have noted, this is very nearly half of the budget for the Department of Agriculture. It meets the critical needs of low-income Americans and it is very important to our Agency and to the people that we serve that your careful consideration of this budget be given.

The budget is sufficient to meet the needs of the programs and to fund a modest program expansion that may be caused by inflation and increases in program participants, as well as the changes in the law which will be required by 1991.

I would like to speak briefly about each of the programs and highlight for you the significant changes that have been included in this budget request.

FOOD STAMP PROGRAM

The biggest part of our budget is the Food Stamp Program and here our budget request is $16 billion, which is an increase from $14.7 billion under the current operating budget.

It is important to note that our ability to predict program growth as driven by increased participation is very limited. Recent trends do not follow historical patterns, and this is true for AFDC as well as SSI. We have submitted a supplemental budget request of somewhere between $375 million and $510 million for 1990. We have also included in this budget which you have before you a very important proposal from the Administration which asks you to consider language which, in 1991, would provide such sums as may be necessary.

It is very important to needy, low-income Americans that there is certainty in the continuation of their benefits. We think that this language is necessary in order to provide that certainty.

We will work with you in the months ahead and provide you with updated information for the 1991 budget at the mid-session review and try to keep you as abreast as we can of the changing need and the growth in the participation.

The farm bill is very important also for us because the reauthorization of the Food Stamp Program is in that package.

LEGISLATIVE PROPOSALS

In addition to the necessary language for funding, there are two important legislative proposals for the Food Stamp Program which I would like to call to your attention, and one of them, Mr. Chairman, really needs an advocate. That is the proposal for a child support enforcement as a requirement for participants in the Food Stamp Program. You may remember that, under current law, AFDC recipients are required to participate in the activities of the child support enforcement agencies as a condition of receiving benefits. We would like to propose the same requirements for Food Stamp participants because we believe that it is very, very important for the children that their parents are recognized and, when able, are required to provide support for them.

We estimate that if this proposal is adopted by Congress, as the President has asked, that the income of those families will actually increase by about $165 million. There will be some savings to the Food Stamp Program as a result of this in the neighborhood of $50 million. But it is not the savings to the Food Stamp Program that is important. The important thing is that children have identified and recognizable parents who are responsible for their support. It is important to include in that process as many children as we can. That's why we ask you to support this proposal.

The second important legislative proposal that is before you has to do with the employment and training program. We suggest that there be a cap on matching for administrative costs of $12.50 per person per month. This would mean then that the administrative cost—which we share 50-50 with the States—could not escalate to an unreasonable figure and make a great drain on the Federal budget.

CHILD NUTRITION PROGRAMS

I would like to move now to the Child Nutrition Programs. Here we see a $200 million increase and two legislative proposals which may have caught your eye. The first is that we propose that there be equal treatment for families of children in family day care settings as there is currently in institutional day care. If you have children in institutional day care centers, those families are subject to an income test to decide whether or not they are going to be eligible for the meal subsidy from the Federal Government. In family day care settings there is no such test of income. We propose in this budget that the test of income be in both the family day care setting and in the institutional day care program.

The second thing we have before you is a proposal to reduce the cost of the school lunch for working poor students. Those who are currently paying $.40 per lunch, under the President's proposal, would find that they would only have to pay $.20 per lunch if you adopt this proposal. These are the people who are characterized, I think, in most settings as working poor families. I think it is significant that the proposal would cut in half the cost of the school lunch for those families. We believe that this will increase participation among the very students who most need a school lunch program. So we would encourage you to consider that proposal.

We also have a Federal Review Initiative request for $5.6 million in the budget. With that money we propose to go forward and implement a unified Federal-state review of the program in school lunch with the States. We will also be providing technical assistance to schools who need to have some help in operating their school lunch program, and we will monitor the effectiveness of the controls that schools put into their program.

WIC PROGRAM

The WIC program is very popular among people in our Agency and I think also among Members of Congress. It brings smiles to people's faces to think of helping low income women, infants, and children who are at nutritional risk. The proposal in this budget is for $2.2 billion. We are very pleased to report to you that the numbers of people who are participating in the program has risen so dramatically to 4.4 million, and will go to 4.7 million by the end of the year. This means that we will be serving 90 percent of all eligible pregnant women under this budget and all eligible infants up to the age of one.

Much of the success in meeting this need in the WIC Program, as you know, has come by the creative initiative of the States who have shown us the way in garnering funds through rebates on infant formula. Through those cost containment measures, which now, by rule, will be required of all States, we think that there will be significant additional savings.

COMMODITY SUPPLEMENTAL FOOD PROGRAM

I would like to turn now to the Commodity Supplemental Food Program, also called CSFP. It has been a real trick, I must tell you, Mr. Chairman, to keep all of these letters straight for all of these programs. So I hope that I will be able to keep it all straight, but I am sure I can count on you to help me if I mix them up and put the letters in the wrong place. The CSFP program has a budget of $62.9 million. That will be supplemented by additional donated commodities for this important program. It will support the current caseload.

FOOD DONATIONS PROGRAMS

We also have a food distribution program on Indian Reservations which is funded in this budget at $74.8 million and will be sufficient to meet the needs of the current caseload.

The budget for our part of the the Nutrition Program for the Elderly, the meal program that meets the nutritional needs of elderly and provides for socialization at congregate eating sites, is $149.9 million. It will provide funding for an increase of 11 million meals, bringing the total to 264 million meals for elderly persons.

We have made a provision in the budget for the Commodity Program for Soup Kitchens. This is a very critical program to reach out to homeless people because they cannot use the traditional Food Stamp Program to meet their needs simply because in many instances there is no place for them to cook their food. So by providing these commodities to soup kitchens, we ensure that there will be a place for homeless people to eat.

TEFAP

For similar reasons, we would like you to consider funding TEFAP—the Temporary Emergency Food Assistance Program—at $120 million for direct food assistance, and $50 million for administrative costs. We are asking for reauthorization of that program as well.

Mr. Chairman, some people have criticized $50 million for administrative costs. But we believe that it is very important to help those nonprofit agencies out there who are providing the distribution points for these commodities and which are finding ways locally to get additional commodities to serve this population. It is important to keep those nonprofit agencies going and that $50 million will help to stabilize their administrative base.

FOOD PROGRAM ADMINISTRATION

That really summarizes our programs. Let me speak very, very briefly about our own needs for administrative costs to the Food and Nutrition Service. The budget is $96.8 million, that represents a $5 million increase in our budget. We believe that it will improve oversight and monitoring of all the programs that I have talked to you about. This is our principal responsibility.

Our recent accomplishments, if I may, and I don't take any credit for them since they all occurred before I came, include initiation of demonstration projects. There are many good ideas out there about meeting the needs of low-income Americans. We rely on this method of having demonstration projects to test good ideas and see if they warrant consideration for inclusion in national programs. We believe there have been significant improvements in program delivery and accountability. We are very, very proud of the redemption project which will go forward because of the close cooperation with the Federal Reserve Bank and the American Banking Association and others, that we will be addressing the concern of what happens to Food Stamps after they are in the banking system on deposit from the retailers.

GOALS

And finally, if I may, the goal that I look forward to in the year ahead is to improve the way benefits are provided to people. To work as best we can to ensure that the most important people the Food and Nutrition Service considers are the clients out there and low-income people who have needs that we can address through our programs.

Our second most important goal is to have greater sensitivity to our cooperating agencies, principally the States. They are on the front lines delivering our programs to people and we want to work closely with them to recognize their needs, but also to be welcoming of the good ideas that they may want to bring to us for consideration.

Thank you, Mr. Chairman and members of the committee for giving me an opportunity to appear before you. I would be pleased to answer any questions.

[Clerk's note.—Biographical sketches appear on pages 743 through 746. The prepared statements appear on pages 747 through 774. The explanatory notes for the Food and Nutrition Service appear on pages 787 through 925. The explanatory notes for the Human Nutrition Information Service appear on pages 775 through 786.

Mr. Whitten. Thank you all for your presentations here and for the fine work you do. Reminiscing a little bit, I know everybody on this subcommittee is for your programs. I think Congress has proven that it too supports them. But we do know too that as big as these programs are, it is almost an impossible task to run them as properly as you'd like. I have been on this subcommittee for a long time and never have I seen this subcommittee or the Congress fail to do what it thought was best to bring about the desired result.

SCHOOL BREAKFAST PROGRAM

A number of years ago, they started talking about a breakfast program. I raised the question, if we're going to have breakfast and lunch and supper in schools, maybe we were going to get like Russia where they take the children when they are born and so forth. But it turned out that the question was misunderstood. But may I say that to my surprise when they started the breakfast program in one of the major cities where the average income was higher than most of the Nation, the attendance in certain areas increased 200 or 300 percent. In my home area, I had school attendence increase over 100 percent when you began to serve breakfast. Now the criticism in that situation is directed at the family. They just didn't get up and serve breakfast to their children. So I was wrong about my concerns. All I did was just ask if that was where we were going to end up.

EFNEP

We have done a number of things on this committee that are very helpful from a nutrition standpoint. It is not in your particular area, it comes under Extension, but some years ago we had trained nutritionists. So we started a nutrition aides program in your major cities where they knew how to cook, how to plan, how to do. And it was wonderful. It was a great service to those not so educated in some neighborhoods. But in this year's budget, this administration cut that program from $58 million to $21 million. There are just so many things that are helpful that we want to do.

INSPECTOR GENERAL

Now we had the Inspector General come before us a few weeks ago. He called our attention to some of the problems of fraud and abuse in your area of responsibility. He mentioned food stamps disappearing and how they are traded for drugs.

We certainly want to meet the need for food stamps. We are going to do the best we can with the IG's and your recommendations. There are two or three things that I know that cause some of these problems. One of them is eligibility. It is decided at the local level, while another level defines it.

SEQUESTRATION

The other side of all this is we have Gramm-Rudman which limits what we can spend. Congress passed a budget act and the authorizing committees didn't pay any attention to the instructions and all the cuts end up on Appropriations. Sequestration wasn't the fault of the Appropriations Committee, but it ended up on our backs. Because of sequestration we are now faced with supplementals to try to keep from stopping essential programs. So there are all sorts of problems. But our approach here is to do our best to take care of these programs. I am sure you are trying to do your best. So any recommendations that you have about what we can do to help solve some of the problems that you see, we would be glad to have them.

Some years ago we made a substantial effort not to deprive anybody of Food Stamps but to save some money. What we did passed through the subcommittee, the full committee, through the Senate, and was signed by the President. And somebody took to court what we did and it went before one circuit trial judge here in the District and he issued an injunction against carrying out what we said. The President at the time didn't appeal the decision. So it is difficult for us to help you to do what I know you wish to do. We have asked the Inspector General to submit to us the details. If he calls our attention to major problems that are evident despite your efforts, we need to know what the details are. If we don't ask, it would appear we're disinterested.

So I want to compliment you for doing a great job. But I also want us all to realize what a problem we have.

CHILD NUTRITION PROGRAMS FOOD SERVICE MANAGEMENT INSTITUTE

In the conference report for the Food and Nutrition Service appropriations for Fiscal Year 1990, the conferees provided for a Food Service Management Institute to improve school food service operations. What is the status of the Institute?

Mrs. Nelsen. The Agency is currently in the final stage of negotiations with representatives from the University of Mississippi. The official response from the university to the Request for Proposal has been reviewed, and the Office of General Counsel has been asked to advise on the issue of Mississippi's State statute of "sovereign immunity" as related to potential property damage or personal injury liability cases incurred in the performance of the Cooperative Agreement. With no additional technical points to be resolved, the Cooperative Agreement is expected to be signed by mid-April 1990.

STATE REVENUE MATCHING REQUIREMENT

Mr. Whitten. The way the National School Lunch Program works, each State must match 30 percent of Federal funds provided in school year 1981. Have you proposed any changes to the State's matching amount?

Mrs. Nelsen. We have no plans to change the current State revenue matching requirement—SRMR. We believe the current SRMR establishes an appropriate State funding commitment to supplement the Federal funds provided.

The SRMR is based only on Section 4 funds used during School Year 1981, not all Federal funds. In addition, the requirement is reduced proportionately whenever a State's annual average per capita income falls below the annual average of all States.

NATIONAL SCHOOL LUNCH PROGRAM PROPOSED LEGISLATION

Mr. Whitten. One of your proposed legislative changes would eliminate the cash and commodity entitlement subsidy for paid meals served to children from families with incomes above 350 percent of poverty. When similar proposals were enacted in the early 1980's several schools dropped the school lunch program because it was uneconomical to operate. This adversely affected both the needy and the not so needy. What evidence do you have that your legislative change will target only those intended and not adversely affect those in need as it did in the past?

Mrs. Nelsen. It is difficult to assess exactly how many schools might drop the program under this proposal. However, there is evidence that the drop would not be significant.

The Omnibus Budget Reconciliation Act of 1981—OBRA—reduced cash reimbursements for paid meals and reduced price meals and commodity subsidies for all meals. At the time it was passed there were great concerns that it would cause large numbers of schools to drop the program. In fact, about 1,500 schools left the program and most of these were either private schools excluded because of high tuition or small, affluent schools.

The impact of our current proposals will be much smaller than OBRA. It only affects sudsidies for meals served to children from households with incomes above 350 percent of poverty, about one in every five children. These children might face a price increase of approximately 30 cents per day and an average lunch cost of $1.30. At this price the school lunch program remains the best choice because it still costs less and is generally more nutritious than other options.

Mr. Whitten. Will schools be able to maintain the program without this reimbursement?

Mrs. Nelsen. We believe that it is unlikely that many schools will drop the program. Schools will retain most of their meal program funding because USDA support for paid meals is a small proportion of total revenue and subsidies.

SCHOOL LUNCH PARTICIPATION

Mr. Whitten. We see in the explanatory notes that the total number of participating schools and residential child care institutions increased from Fiscal Year 1988 to Fiscal Year 1989 while the number of lunches served decreased during that same period. Please explain the drop in lunches served.

Mrs. Nelsen. The number of lunches served decreased in Fiscal Year 1989, despite an increase in the number of participating institutions, because schools operated for about one and one-half fewer days in 1989 than in 1988. Schools served more children about the same number of meals per day—22 million—but the increase in enrollment was offset by a decrease in schools days.

SCHOOL BREAKFAST PROGRAM

Mr. Whitten. In your explanatory notes you state that schools that served at least 40 percent of their lunches at free or reduced prices in the second preceding year had unusually high preparation costs which exceeded regular breakfast per meal reimbursement and received higher subsidies. Please explain why these schools have such high preparation costs and where these schools are located.

Mrs. Nelsen. Schools that serve 40 percent or more of their lunches to students at the free or reduced price rate are eligible for the additional reimbursement. In accordance with statutory and regulatory requirements these schools must also have preparation costs which exceed the regular reimbursement rates. However, these schools do not necessarily have costs greater than schools serving fewer than 40 percent needy.

Most States currently have some schools located generally in areas of high economic need, that receive these "severe need" rates.

Mr. Whitten. Please describe in some detail the program expansion authorized by P.L. 101-147 that will result in an increase of 19 million meals in Fiscal Year 1991.

Mrs. Nelsen. Public Law 101-147 authorized funding for School Breakfast Program start up grants. The purpose of these grants is to increase the number of schools participating in the breakfast program, especially those serving low-income children. We anticipate providing grants to a substantial number of States in Fiscal Year 1991 and project that as a result of start up efforts an increase of about 7 million meals will occur. The other 12 million meals are expected to result from normal program growth.

CHILD AND ADULT CARE FOOD PROGRAM

Mr. WHITTEN. Why do you anticipate an increase of 51 million meals under the Child and Adult Care Food Program?

Mrs. NELSEN. Our projections are based on recent program trends which, projected to Fiscal Year 1991, will add 51 million meals to this program. In child and adult care centers, lunches are expected to increase by almost 9 million, breakfasts by almost 5 million and supplements by almost 10 million meals. These amounts include an increase of five million meals served to elderly adults. The area of most significant growth is in family day care homes where meals are expected to increase by 27 million.

CHILD NUTRITION STUDIES

Mr. WHITTEN. You are requesting an appropriation of $3,085,000, a decrease of $57,000, for Fiscal Year 1991 to fund current studies. Does this mean you will not initiate any new studies in 1991?

Mrs. NELSEN. The Agency is now in the early stages of planning for Fiscal Year 1991 research studies and evaluations. While several major ongoing studies will use Fiscal Year 1991 funds, as planned, we intend to field several new studies in Fiscal Year 1991 as well. The budget request is the same as the Fiscal Year 1990 post sequester level.

Mr. WHITTEN. Please provide a brief description of demonstrations, studies, and reports, including cost and completion dates, that were mandated by the Child Nutrition and WIC Reauthorization Act of 1989.

Mrs. NELSEN. There are four demonstrations and eight studies and reports mandated by the Child Nutrition and WIC Reauthorization Act of 1989. I will provide a brief description, costs, and completion dates of each for the record.

[The information follows:]

Demonstrations, Studies and Reports Mandated by the Child Nutrition and WIC Reauthorization Act of 1989

I. Child Nutrition Programs

Demonstrations

Year Round Food Service to Homeless Pre-school Children

This demonstration will provide the Department with information on methods to provide year-round nutrition assistance to preschool children living in homeless shelters.

Completion Date: The first phase of this project will pilot a food assistance program at three to five homeless shelters in Philadelphia, Pennsylvania in Fiscal Years 1990 and 1991. Additional area/sites may be added in upcoming fiscal years.

Estimated Costs: Operations - $50,000 in Fiscal Year 1990
$350,000 for Fiscal Years 1991 through 1994

Evaluation - to be awarded in Fiscal Year 1990

Efforts to Reduce Barriers to Low-Income Family Day Care Home Child and Adult Care Food Program--CACFP--Participation

This demonstration will test three strategies in six area/sites to remove barriers to CACFP participation faced by low-income family day care homes.

Completion Date: The year-long demonstrations are scheduled for completion on July 1, 1991.

Estimated Costs: Operations - to be determined in Fiscal Year 1990
Evaluation - to be awarded in Fiscal Year 1990

CACFP Private For-Profit Demonstration Projects

This demonstration will examine the impact of modifying eligibility requirements for private, for-profit child care centers on low-income CACFP participation in the States of Kentucky and Iowa. As a result of participating in the demonstration, the child care centers must either lower the child care fees for children with incomes below 185% of the poverty level or improve the quality of meals served to children in their care.

Completion Date: The first phase of the demonstrations are scheduled for completion on June 30, 1991. Phase two is scheduled for completion on September 30, 1992.

Estimated Costs: Operations - $200,000 (estimate)
Evaluation - to be awarded in Fiscal Year 1990

Alternate Counting Methods Pilot Projects

This demonstration seeks to reduce the level of paperwork involved in administering programs under the National School Lunch and Child Nutrition Acts by testing alternative methods for the application process as well as methods to count and claim meals.

Completion Date: Late 1993

Estimated Costs: Operations - $0
Evaluation - to be awarded in Fiscal Year 1990

Studies and Reports

Child Nutrition Paperwork Reduction Report

This mandate requires the Secretary of Agriculture to report on the extent to which paperwork required of State and local agencies, schools, and other agencies participating in nutrition programs under the Child Nutrition Act and the Child Nutrition and WIC Reauthorization Act has been reduced. This report must be developed in consultation with the State and local administrators of programs administered under the above mentioned legislation.

Completion Date: Prior to November 1990

Estimated Costs: $50,000 for consultation with State and local administrators.

Nutrition Guidance for Child Nutrition Programs

This report, jointly developed by the Secretary of Agriculture and the Secretary of Health and Human Services will provide nutrition guidance, primarily in the areas of menu planning, meal preparation, and meal supplements for the Child Nutrition Programs.

Completion Date: Prior to November 10, 1991

Estimated Costs: $2,500,000, most of which is for the printing and dissemination of materials.

Efforts to Increase Participation in the School Breakfast Program

This report will describe the efforts of the Secretary of Agriculture and the all State Educational Agencies to increase participation in the School Breakfast Program.

Completion Date: October 1, 1993

Estimated Costs: Operations - $3,000,000 for Fiscal Year 1990
$5,000,000 each year for Fiscal Years 1991-1994

II. Women, Infants, and Children--WIC--Program

Studies and Reports

Review of WIC Nutritional Risk and Priority System

This report will examine the relationship between the nutritional risk criteria established under Section 17 of the Child Nutrition Act and the priority system used under the WIC Program. Emphasis will be placed on the risks to eligible pregnant women from such conditions such as homelessness, mental illness and conditions which pose barriers to prenatal care.

Completion Date: A preliminary report is due to Congress by October 1, 1990. A final report is due no later than July 1, 1991.

Estimated Costs: $20,000

WIC Food Package

This report will summarize a review of the WIC food packages, taking into consideration the nutrient contents of the foods provided, and the effectiveness of the food packages in providing crucial nutritional components (protein, calcium, iron, and other critical vitamins/minerals) to participants.

Completion Date: A preliminary report is due to Congress by June 30, 1990. A final report is due by June 30, 1992.

Estimated Costs: $20,000

P.L. 101-147's Effects on Nutrition Services and Administrative Costs

This report will summarize the effects of this law's provisions on WIC administrative and nutrition services costs.

Completion Date: A report is due to Congress by November 10, 1990.

Estimated Costs: $100,000

1990 WIC Eligibles Update

This report will update current information on persons eligible for the WIC Program by using the 1990 census. This report will provide information on potential WIC participants by State and county.

Completion Date: Upon completion and release of the 1990 census.

Estimated Costs: Cost will not be incurred until Fiscal Year 1992.

Waivers to WIC Competitive Bid Requirements

This report will summarize the number of States exempted from instituting competitive bidding systems for the procurement of infant formula. The Secretary is permitted to waive competitive bid requirements if compliance with this rule would be ineffective or would result in minimal cost savings over alternative systems.

Completion Date: The Secretary must report to Congress on the number of waivers granted at six month intervals.

Estimated Costs: $0

FOOD STAMP PROGRAM QUALITY CONTROL

Mr. **Whitten**. When Mr. Bode testified before this Committee last year he stated that the Food Stamp Program Quality Control System was overhauled with the goal of speeding up resolution of disputed claims from States. What is the status of this new System? Has it lived up to its goal?

Mrs. **Nelsen**. The Food Stamp Program—FSP—Quality Control System was overhauled by the passage of the Hunger Prevention Act of 1988. We are currently in the process of issuing regulations to implement the provisions of the new system. Once these regulations are published we should be able to quickly move into the new process and resolve these cases in a more timely manner. The old system provided little incentive to the States to resolve the claims. In most cases, interest could not be charged on outstanding claims, and consequently, cases have been allowed to languish. With the new provisions, interest will accumulate on claims beginning 2 years after receipt of the bill or at the time of the decision on the administrative appeal, whichever is earlier. This should provide sufficient incentive to States to move more rapidly to resolve these claims. In addition, there is now an incentive for the Food and Nutrition Service—FNS—to move more quickly also, as the new system requires us to pay the States interest if the State pays in advance and is then successful in overturning the claim.

FEDERAL REVIEW SYSTEM

Mr. **Whitten**. Please update the Committee on the progress of the Federal Review System.

Mrs. **Nelsen**. The final report on the first year's reviews under the Federal Review System was issued on March 1. Reviews of current school year operations are proceeding at a level of activity roughly equivalent to last year's effort.

This year's operation was designed and implemented as a transition to the new unified system. Close coordination with State review activity and audit activity by the Department's Office of the Inspector General has been implemented to eliminate the possibility of duplication or overlap. State agencies were directly involved in the process of targeting the review effort to schools and school food authorities most likely to be experiencing meal accountability problems.

On the training side, materials were developed for presentations to State and local program coordinators and an estimated 10,000 individuals in 54 State agencies received training on some aspect of meal accountability. In addition we have involved representatives of State and local agencies in the development and review of 3 sets of training video tapes, instructor's guides and handbooks that will be distributed to 20,000 local school food authorities nationwide during the next 6 to 9 months. The reaction to initial drafts of these materials has been extremely positive regarding the content and quality of the presentation of the material and its potential for effectively reaching the target audience.

Mr. **Whitten**. What are the results of the pilot program to assess the situation?

Mrs. NELSEN. FNS reviewed a nationally representative sample of 175 public school food authorities—SFAs. From these SFAs, 363 schools were randomly selected for review and 378 were selected purposely, including 243 focused schools selected because they had a high probability for errors.

The pilot project found that most SFAs and schools administer the National School Lunch Program—NSLP—in an accountable manner. This indicates that current accountability requirements are appropriate and attainable. However, we discovered some SFAs and schools with serious breakdowns in claiming and counting systems. Like earlier problems uncovered by the Office of the Inspector General, audits or FNS administrative reviews, the errors had not been corrected through the State-administered Assessment, Improvement and Monitoring System.

One in three schools sampled had an inadequate meal count system. One in four schools had inaccurate meal counts documented on the day of review. Randomly selected schools fared no better on these measures than schools selected based on a high probability of error.

Focused schools were much more likely to have patterns of high meal claims that resulted in USDA reclaiming inappropriately paid funds. For the month of review, 44 percent of all focused schools claimed meals in excess of 95 percent of the number of eligible children and in 20 percent of the schools, claims exceeded the number of eligible children.

These schools were most often found in large SFAs—more than 30,000 students. Large SFAs accounted for 86 percent of the $2.8 million asessed in claims in Fiscal Year 1989.

Problem schools were successfully identified using a profile based on free meal claiming percentages. Federal reviews proved to be cost effective when focused on likely problem schools.

Mr. WHITTEN. Also, please describe in some detail the Unified Accountability System.

Mrs. NELSEN. The Department is currently developing proposed regulations to implement the Unified Accountability System. The requirement contained in Public Law 101-147 will form the framework for the proposal; namely, the Department will assist States in their local monitoring efforts and through management evaluations will review State and local compliance with program requirements.

After public comment and consultation with State and local officials, we plan to have final rules in place for implementation during School Year 1991.

ADULT DAY CARE CENTERS

Mr. WHITTEN. Now that the date for Adult Day Care Centers wishing to participate in the Child Care Food Program has passed, what is the level of participation of these adult centers?

Mrs. NELSEN. At the end of Fiscal Year 1989, a total of 249 adult day care centers were participating in the program, serving 3.4 million meals. The estimate for Fiscal Year 1991 is almost 17 million meals. This breaks down into 8 million lunches, 2 million breakfasts and 7 million supplements. In total that is a 5 million meal increase over Fiscal Year 1990.

Mr. WHITTEN. Of the proposed increase of $37,113,000 for the Child Care Food Program, how much is requested for Fiscal Year 1991 for adult day care centers?

Mrs. NELSEN. About $14.9 million of the proposed increase is requested for adult day care in Fiscal Year 1991.

Mr. WHITTEN. How much was available in Fiscal Years 1989 and 1990?

Mrs. NELSEN. The program cost in Fiscal Year 1989 was about $3 million. In Fiscal Year 1990 we project that the cost will amount to $10 million.

CHILD NUTRITION PROGRAMS

Mr. WHITTEN. Please provide for the record a table listing the number of schools and students participating in the National School Lunch, School Breakfast and Child Care Food Programs for each of the past ten years.

[The information follows:]

NATIONAL SCHOOL LUNCH, SCHOOL BREAKFAST, AND CHILD CARE FOOD PROGRAMS

Outlets and Average Daily Participation, Fiscal Years 1980 through 1989 1/

Fiscal Years	National School Lunch Program		School Breakfast Program		Child and Adult Care Food Program	
	Outlets	Average Daily Participation	Outlets	Average Daily Participation	Outlets	Average Daily Participation
1980	94,082	26,622,125	32,816	3,602,423	36,557	661,428
1981	93,960	25,827,033	35,079	3,810,279	56,372	760,362
1982	91,151	22,922,306	34,342	3,324,455	65,382	829,758
1983	90,586	23,041,136	33,534	3,377,004	74,158	919,816
1984	89,197	23,376,276	33,840	3,427,165	84,225	982,278
1985	89,424	23,554,334	34,795	3,433,462	93,512	1,046,723
1986	89,857	23,721,693	35,180	3,499,454	99,256	1,100,543
1987	90,180	23,932,887	37,111	3,611,986	108,390	1,196,626
1988	90,608	24,153,849	38,816	3,846,608	120,953	1,255,721
1989	91,493	23,964,071	40,050	3,934,130	136,310	1,358,197

1/ Outlet data collected annually (October) for National School Lunch and School Breakfast Programs, and quarterly for Child Care Food Program. Average daily participation estimates based on meals served if all enrolled students attended at all times (0% absenteeism).

Prepared: 3/ 9/1990
Source: FNS 10 and FNS 52 reports.

CHILD AND ADULT CARE FOOD PROGRAM

Mr. **Whitten**. The growth rate in both outlets and average daily participation is greatest over the past 10 years for the Child Care Food Program. To what do you attribute this?

Mrs. **Nelsen**. The growth in the Child and Adult Care Food Program over the past 10 years is attributable to the increase in family day care homes participating in the program. Family day care home participation grew rapidly after the elimination of income eligibility criteria in May 1980. An increase in demand for child care and more extensive licensing may also have increased the number of participating homes. The number of family day care homes has increased over 500 percent since 1980. While only 20 percent of child care meals were served in family day care homes in 1980, nearly 50 percent of all meals were served in homes last year.

CHILD NUTRITION PROGRAMS PARTICIPATION AND MEAL SERVICE

Mr. **Whitten**. Please provide for the record a table showing, by program, the average daily participation and number of meals served in the Child Nutrition Program for Fiscal Years 1988 and 1989 and the estimates for Fiscal Years 1990 and 1991. Please provide this data according to the number of children from families with incomes above 185 percent of poverty (full price meals), children from families with incomes between 130–185 percent of poverty (reduced price meals) and children from families with incomes below 130 percent of poverty (free meals).

[The information follows:]

CHILD NUTRITION PROGRAMS

Average Daily Participation for
Fiscal Years 1988 Through 1991

Child Nutrition Programs	Fiscal Year	Average Daily Participation			
		below 130% of poverty	130% to 185% of poverty	above 185% of poverty	Total
National School Lunch Program	FY 1988 1/	9,782,310	1,570,000	12,801,539	24,153,849
	FY 1989 1/	9,730,538	1,574,850	12,658,683	23,964,071
	FY 1990 2/	9,922,156	1,604,790	12,898,203	24,425,149
	FY 1991 2/	10,017,964	1,622,754	13,011,976	24,652,694
School Breakfast Program	FY 1988 1/	3,165,758	188,485	492,365	3,846,608
	FY 1989 1/	3,215,568	197,604	520,958	3,934,130
	FY 1990 2/	3,287,425	197,604	532,934	4,017,963
	FY 1991 2/	3,383,233	203,592	544,910	4,131,735
Child and Adult Care Food Program	FY 1988	984,485	62,786	208,450	1,255,721
	FY 1989	1,064,826	67,910	225,461	1,358,197
	FY 1990 2/	1,185,999	75,638	251,117	1,512,754
	FY 1991 2/	1,248,036	79,109	265,595	1,592,740
Summer Food Service Program	FY 1988	1,577,301			1,577,301
	FY 1989	1,600,898			1,600,898
	FY 1990 2/	1,686,216			1,686,216
	FY 1991 2/	1,767,053			1,767,053

1/ Reported data.

2/ Projected data.

Prepared: 3/13/1990
Source: State reported data from
forms FNS 10, 44, and 418.

CHILD NUTRITION PROGRAMS

Number and Type of Meals Served
Fiscal Years 1988 Through 1991

Child Nutrition Programs	Fiscal Year	Meals served to children where family income is:			
		below 130% of poverty	130% to 185% of poverty	above 185% of poverty	Total
National School Lunch Program	FY 1988 1/	1,651,608,312	261,845,123	2,120,239,268	4,033,692,703
	FY 1989 1/	1,625,347,000	263,036,000	2,114,233,000	4,002,616,000
	FY 1990 2/3/	1,657,349,000	268,372,000	2,153,340,000	4,079,061,000
	FY 1991 2/3/	1,672,667,000	270,854,000	2,173,260,000	4,116,781,000
School Breakfast Program	FY 1988 1/	531,338,174	30,532,016	80,513,317	642,383,507
	FY 1989 1/	537,342,000	32,785,000	86,738,000	656,865,000
	FY 1990 2/	548,990,000	33,456,000	88,467,000	670,913,000
	FY 1991 2/	564,372,000	34,328,000	90,923,000	689,623,000
Child and Adult Care Food Program	FY 1988 1/	615,776,980	40,715,737	132,823,315	789,316,032
	FY 1989 1/	681,307,000	41,623,000	142,990,000	865,920,000
	FY 1990 2/	751,865,000	47,658,000	160,006,000	959,529,000
	FY 1991 2/	794,057,000	49,567,000	166,639,000	1,010,263,000
Summer Food Service Program	FY 1988 1/	80,625,259			80,625,259
	FY 1989 1/	86,445,000			86,445,000
	FY 1990 2/	91,052,000			91,052,000
	FY 1991 2/	95,417,000			95,417,000

1/ Reported data.
2/ Projected data.

Prepared: 3/10/1990
Source: State reported data from
forms FNS 10, 44, and 418.

3/ Excludes the following amounts for snacks:

	Free	Reduced Price	Paid	Total
FY 1990	4,024,000	671,000	2,757,000	7,452,000
FY 1991	4,059,000	677,000	2,781,000	7,517,000

COMMODITIES

Mr. **Whitten**. For Child Nutrition Programs please provide for the record a list of the type and value of commodities purchased and donated, by program, and the amount of cash-in-lieu of commodities obligated for Fiscal Years 1988 and 1989 and the estimate for Fiscal Years 1990 and 1991. Please identify whether these commodities were purchased with the FNS account, section 32 or with CCC funds.

Mrs. **Nelsen**. For the record, I will provide a list of the type and value of commodities provided to the Child Nutrition Programs, by funding source, for School Years 1988, 1989, and preliminary 1990. We anticipate that the amounts and types of commodities to be provided in School Year 1991 will be similar to those shown on the table assuming that market conditions are similar to Fiscal Year 1989. However, the cost or availability of commodities cannot be fully assured.

I will also include a table of the cash-in-lieu of commodity payments for Fiscal Years 1988, 1989 and estimated 1990 for the Child and Adult Care Food Program, State of Kansas schools and cash/CLOC sites. We are also estimating that the Fiscal Year 1991 payments will be similar to those made in Fiscal Year 1990.

[The information follows:]

Cash in lieu of Commodity Payments

Fiscal Year 1988	Amount
CLC/CLOC Payments	$6,090,399
CCFP	17,605,393
Kansas	6,215,741

Total	29,911,533

Fiscal Year 1989	Amount
CLC/CLOC Payments	$7,057,638
CCFP	18,789,196
Kansas	5,805,000

Total	31,651,834

Fiscal Year 1990	Amount
CLC/CLOC Payments	$7,343,905
CCFP	20,983,342
Kansas	5,805,000

Total	34,132,247

TOTAL POUNDS AND DOLLARS AVAILABLE FOR SY/FY 1988 FOR CHILD NUTRITON PROGRAMS

SECTION 6-32-TYPE COMMODITIES (GROUP A)	SCHOOLS SUB-TOTAL POUNDS SECTION 6	SCHOOLS SUB-TOTAL VALUE SECTION 6	SCHOOLS SUB-TOTAL POUNDS SECTION 32	SCHOOLS SUB-TOTAL VALUE SECTION 32	SCHOOLS TOTAL POUNDS SEC 6 & 32	SCHOOLS TOTAL VALUE SEC 6 & 32
BEANS, GREEN, CANNED			17,151,908	$3,703,223	17,151,908	$3,703,223
BEANS, GREEN, FROZEN			2,153,820	$540,392	2,153,820	$540,392
BEANS, VEGETARIAN			17,979,120	$3,384,999	17,979,120	$3,384,999
BEANS, REFRIED, CANNED			5,332,824	$1,432,402	5,332,824	$1,432,402
CORN, CANNED			13,964,389	$3,767,595	13,964,389	$3,767,595
CORN, FROZEN			3,457,800	$1,491,698	3,457,800	$1,491,698
PEAS, GREEN CANNED			10,349,840	$2,386,673	10,349,840	$2,386,673
PEAS, GREEN FROZEN			4,571,340	$1,162,956	4,571,340	$1,162,956
POTATO ROUNDS, FROZEN			34,922,910	$9,794,928	34,922,910	$9,794,928
POTATOES, OVEN FRY			32,089,950	$8,714,866	32,089,950	$8,714,866
POTATOES, DEEP FRY			3,281,640	$903,197	3,281,640	$903,197
SWEET POTATOES, SYRUP			7,428,427	$2,337,724	7,428,427	$2,337,724
SWEET POTATOES, MASHED			863,050	$213,345	863,050	$213,345
TOMATOES, CRUSHED			3,810,983	$1,089,556	3,810,983	$1,089,556
TOMATO PASTE, CANNED			18,573,951	$7,208,554	18,573,951	$7,208,554
TOMATOES, CANNED			13,839,324	$3,972,122	13,839,324	$3,972,122
TOMATO PASTE			1,578,250	$720,623	1,578,250	$720,623
WALNUTS, ENGLISH PIECES			1,997,400	$3,128,448	1,997,400	$3,128,448
APPLE JUICE, CANNED			98,963	$24,174	98,963	$24,174
APPLES, FRESH			7,418,365	$1,330,108	7,418,365	$1,330,108
VEGETABLES, MIXED FRZ			13,635,810	$4,524,365	13,635,810	$4,524,365
APPLESAUCE, CANNED			31,278,596	$7,550,670	31,278,596	$7,550,670
CHERRIES, FRZ RED TART PIT			13,272,750	$4,900,303	13,272,750	$4,900,303
PEACHES, CLING CANNED			23,595,000	$9,655,104	23,595,000	$9,655,104
PEACHES, FREESTONE CND			3,021,600	$1,312,689	3,021,600	$1,312,689
PEARS, CANNED			38,824,880	$13,903,247	38,824,880	$13,903,247
PEARS, D'ANJOU FRESH			3,019,635	$691,191	3,019,635	$691,191
PEARS, BOSC FRESH			162,000	$34,004	162,000	$34,004
PINEAPPLE, CANNED			18,569,102	$7,722,901	18,569,102	$7,722,901
PLUMS, CANNED, PURPLE			1,788,355	$403,871	1,788,355	$403,871
PLUMS, CANNED, PITTED			1,667,674	$483,460	1,667,674	$483,460
PRUNES, DRIED, PITTED			71,706	$95,004	71,706	$95,004
RAISINS			6,862,152	$3,915,988	6,862,152	$3,915,988
MIXED FRUIT			9,880,360	$4,361,193	9,880,360	$4.361,193
CHICKENS, FROZEN, CUT-UP	27,806,401	$15,402,144	40,562,575	$22,792,080	68,368.996	$38,194,224
CHICKENS, FROZEN, BREADED	6,410,830	$6,462,116			6,410,830	$6,462,116
CHICKENS, CHILLED BULK	6,623,712	$2,999,536	2,728,728	$1,320,689	9,352,440	$4,320,225
CHICKEN NUGGETS, FRZ	2,254,200	$2,807,696			2,254,200	$2,807,696
TURKEY, FROZEN WHOLE			33,914,930	$19,137,113	33.914,930	$19,137,113
TURKEY,CHILLED, BULK			7,264,440	$3,539,577	7,264,440	$3,539,577
TURKEY ROASTS, FROZEN	2,721,964	$3,123,313	27,429,267	$31,441,945	30,151,231	$34,565,258
BEEF, FRZ GROUND W/VPP			60,280	$44,450	60,280	$44,450
BEEF, FROZEN GROUND	4,562,776	$5,240,221	78,576,023	$88,250,701	83,138,799	$93,490,922
BEEF, FRZ GRD COARSE-PROCESS	1,314,656	$1,474,638	4,315,024	$4,933,949	5,629,680	$6,408,587
BEEF PATTIES, FRZ W/VPP	7,743,513	$7,404,997	11,746,023	$11,233,155	19,489,536	$18,638,152
BEEF PATTIES, FRZ	3,249,052	$3,881,048	6,284,900	$7,505,193	9,533,952	$11,386,241
BEEF, FRZ BONELESS-PROCESS			2,772,000	$3,044,278	2,772,000	$3,044,278
MEAT, LUNCHEON CANNED			576,000	$807,264	576,000	$807,264
PORK, FRZ GROUND			16,919,316	$16,715,481	16,919,316	$16,715,481
PORK, FRZ GRD COARSE-PROCESS			752,400	$732,081	752,400	$732,081
HAM, FRZ COOKED BONELESS			4,532,400	$6,717,709	4,532,400	$6,717,709
TUNA, CHUNK LIGHT-WATER			7,047,259	$9,695,284	7,047,259	$9,695,284
FISH NUGGETS, FROZEN			5,586,200	$7,022,157	5,586,200	$7,022,157
BEANS, DRY			7,592,875	$2,080,410	7,592,875	$2,080,410
BEANS, DRY CANNED			11,968,506	$2,441,561	11,968,506	$2,441,561
TOTAL GROUP A -- ENTITLEMENT	62,687,104	$48,795,709	637,143,040	$356,316,650	699,830,144	$405,112,359

SECTION 416-TYPE COMMODITIES (GROUP B)	SCHOOLS SUB-TOTAL POUNDS SECTION 6	SCHOOLS SUB-TOTAL VALUE SECTION 6	SCHOOLS SUB-TOTAL POUNDS SECTION 32	SCHOOLS SUB-TOTAL VALUE SECTION 32	SCHOOLS TOTAL POUNDS SECTION 6 & 32	SCHOOLS TOTAL VALUE SECTION 6 & 32
BULGUR	229,000	$25,358			229,000	$25,358
CORNMEAL	6,267,900	$596,969			6,267,900	$596,969
FLOUR	188,210,535	$20,038,295			188,210,535	$20,038,295
GRITS, CORN	272,600	$22,499			272,600	$22,499
MACARONI	10,850,400	$2,580,592			10,850,400	$2,580,592
OATS, ROLLED	5,296,794	$985,052			5,296,794	$985,052
PEANUT BUTTER	13,766,625	$9,598,368			13,766,625	$9,598,368
PEANUT GRANULES	1,110,921	$911,730			1,110,921	$911,730
PEANUTS, ROASTED	5,359,896	$4,965,220			5,359,896	$4,965,220
RICE, BROWN	159,150	$30,449			159,150	$30,449
WHEAT, ROLLED	837,400	$112,844			837,400	$112,844
OIL, VEGETABLE	40,349,604	$12,532,436			40,349,604	$12,532,436
OIL, SOYBEAN	12,203,628	$2,795,292			12,203,628	$2,795,292
SHORTENING, LIQUID VEG	2,679,785	$927,597			2,679,785	$927,597
SHORTENING, VEGETABLE	21,265,128	$7,873,045			21,265,128	$7,873,045
SPAGHETTI, ENRICHED	8,259,460	$1,977,697			8,259,460	$1,977,697
TOTAL GROUP B -- ENTITLEMENT	317,118,826	$65,973,443			317,118,826	$65,973,443
GRAND TOTAL GROUP A AND B-ENT	379,805,930	$114,769,152	637,143,040	$356,316,650	1,016,948,970	$471,085,802

SECTION 6-32-TYPE COMMODITIES (GROUP A)	CCFP TOTAL POUNDS SECTION 32	CCFP TOTAL VALUE SECTION 32	SFSP TOTAL POUNDS SECTION 32	SFSP TOTAL VALUE SECTION 32	CNP PROGRAMS TOTAL POUNDS SEC 6,32	CNP PROGRAMS TOTAL VALUE SEC 6,32
BEANS, GREEN, CANNED	82,764	$17,871	1,900	$410	17,236,572	$3,721,504
BEANS, GREEN, FROZEN	11,430	$2,868			2,165,250	$543,260
BEANS, VEGETARIAN	45,039	$8,244	50,585	$9,844	18,074,744	$3,403,087
BEANS, REFRIED, CANNED	9,786	$2,628			5,342,610	$1,435,030
CORN, CANNED	93,416	$25,203			14,057,805	$3,792,798
CORN, FROZEN	10,140	$4,374			3,467,940	$1,496,072
PEAS, GREEN CANNED	49,160	$11,337			10,399,000	$2,398,010
PEAS, GREEN FROZEN	19,110	$4,861			4,590,450	$1,167,817
POTATO ROUNDS, FROZEN	134,070	$38,155	40,020	$11,038	35,097,000	$9,844,121
POTATOES, OVEN FRY	131,310	$36,594	83,670	$22,442	32,304,930	$8,773,902
POTATOES, DEEP FRY					3,281,640	$903,197
SWEET POTATOES, SYRUP	57,567	$18,117	2,640	$831	7,488,634	$2,356,672
SWEET POTATOES, MASHED					863,050	$213,345
TOMATOES, CRUSHED	5,191	$1,484	39	$11	3,816,213	$1,091,051
TOMATO PASTE, CANNED	82,617	$32,063	2,164	$840	18,658,732	$7,241,457
TOMATOES, CANNED	74,894	$21,479	1,913	$549	13,916,131	$3,994,150
TOMATO PASTE	5,350	$2,443			1,583,600	$723,066
WALNUTS, ENGLISH PIECES					1,997,400	$3,128,448
APPLE JUICE, CANNED	240,338	$58,378			339,301	$82,552
APPLES, FRESH	66,990	$12,012			7,485,355	$1,342,120
VEGETABLES, MIXED FRZ	67,050	$22,248			13,702,860	$4,546,613
APPLESAUCE, CANNED	188,976	$45,619	2,187	$528	31,469,759	$7,596,817
CHERRIES, FRZ RED TART PIT	46,800	$17,281			13,319,550	$4,917,584
PEACHES, CLING CANNED	130,680	$53,473	23,600	$9,657	23,749,280	$9,718,234
PEACHES, FREESTONE CND	13,480	$5,944			3,035,080	$1,318,633
PEARS, CANNED	117,640	$42,125	18,320	$7,021	38,960,840	$13,952,393
PEARS, D'ANJOU FRESH	5,715	$1,308			3,025,350	$692,499
PEARS, BOSC FRESH					162,000	$34,004
PINEAPPLE, CANNED	71,912	$29,909	13,331	$5,325	18,654,345	$7,758,135
PLUMS, CANNED, PURPLE	12,130	$2,738			1,800,485	$406,609
PLUMS, CANNED, PITTED	2,070	$600	1,325	$384	1,671,069	$484,444
PRUNES, DRIED, PITTED					71,706	$95,004
RAISINS	4,074	$1,926	6,720	$4,946	6,872,946	$3,922,860
MIXED FRUIT	150,040	$66,226	19,080	$8,423	10,049,480	$4,435,842
CHICKENS, FROZEN, CUT-UP	194,840	$107,713	8,600	$4,794	68,572,436	$38,306,731
CHICKENS, FROZEN, BREADED	28,410	$29,428			6,439,240	$6,491,544
CHICKENS, CHILLED BULK	7,560	$3,767			9,360,000	$4,323,992
CHICKEN NUGGETS, FRZ	11,000	$13,772			2,265,200	$2,821,468
TURKEY, FROZEN WHOLE	261,432	$144,940	3,838	$1,861	34,180,200	$19,283,914
TURKEY,CHILLED, BULK	7,560	$3,602			7,272,000	$3,543,179
TURKEY ROASTS, FROZEN	98,542	$113,543	6,950	$7,949	30,256,723	$34,686,750
BEEF, FRZ GROUND W/VPP					60,280	$44,450
BEEF, FROZEN GROUND	402,006	$448,482	396	$439	83,541,201	$93,939,843
BEEF, FRZ GRD COARSE-PROCESS	25,740	$27,946			5,655,420	$6,436,533
BEEF PATTIES, FRZ W/VPP	17,352	$15,963			19,506,888	$18,654,115
BEEF PATTIES, FRZ	33,732	$39,028			9,567,684	$11,425,269
BEEF, FRZ BONELESS-PROCESS					2,772,000	$3,044,278
MEAT, LUNCHEON CANNED					576,000	$807,264
PORK, FRZ GROUND	52,344	$51,832	1,224	$1,204	16,972,884	$16,768,517
PORK, FRZ GRD COARSE-PROCESS					752,400	$732,081
HAM, FRZ COOKED BONELESS	14,640	$21,205			4,547,040	$6,738,914
TUNA, CHUNK LIGHT-WATER	99,188	$133,652	2,494	$3,499	7,148,941	$9,832,435
FISH NUGGETS, FROZEN	55,640	$74,047			5,641,840	$7,096,204
BEANS, DRY	1,625	$357	500	$110	7,595,000	$2,080,877
BEANS, DRY CANNED	24,019	$4,900	2,025	$413	11,994,550	$2,446,874
TOTAL GROUP A -- ENTITLEMENT	3,265,369	$1,821,685	293,521	$102,518	703,389,034	$407,036,562

SECTION 416-TYPE COMMODITIES (GROUP B)	CCFP TOTAL POUNDS SECTION 6	CCFP TOTAL VALUE SECTION 6	SFSP TOTAL POUNDS SECTION 6	SFSP TOTAL VALUE SECTION 6	CNP PROGRAMS TOTAL POUNDS SECTION 6	CNP PROGRAMS TOTAL VALUE SECTION 6
BULGUR					229,000	$25,358
CORNMEAL	6,050	$612	350	$35	6,274,300	$597,616
FLOUR	247,875	$28,073			188,458,410	$20,066,368
GRITS, CORN			16,050	$1,756	288,650	$24,255
MACARONI	61,020	$14,572	251,280	$66,237	11,162,700	$2,661,401
OATS, ROLLED	15,006	$2,734	2,844	$573	5,314,644	$988,359
PEANUT BUTTER	87,865	$61,650	260,990	$185,041	14,115,480	$9,845,059
PEANUT GRANULES	3,108	$2,403			1,114,029	$914,133
PEANUTS, ROASTED	35,352	$32,556	17,472	$15,383	5,412,720	$5,013,159
RICE, BROWN					159,150	$30,449
WHEAT, ROLLED			1,200	$219	838,600	$113,063
OIL, VEGETABLE	340,771	$113,640	83,067	$29,627	40,773,442	$12,675,703
OIL, SOYBEAN	500	$127	270	$68	12,204,398	$2,795,487
SHORTENING, LIQUID VEG					2,679,785	$927,597
SHORTENING, VEGETABLE	104,520	$38,637	272,700	$117,059	21,642,348	$8,028,741
SPAGHETTI, ENRICHED	78,820	$19,674	16,340	$5,097	8,354,620	$2,002,468
TOTAL GROUP B -- ENTITLEMENT	980,887	$314,678	922,563	$421,095	319,022,276	$66,709,216
GRAND TOTAL GROUP A AND B-ENT	4,246,256	$2,136,363	1,216,084	$523,613	1,022,411,310	$473,745,778

AMS SECTION 32-TYPE COMMODITIES (GROUP A) BONUS			SCHOOLS SUB-TOTAL POUNDS SECTION 32	SCHOOLS SUB-TOTAL VALUE SECTION 32	SCHOOLS TOTAL POUNDS SECTION 32	SCHOOLS TOTAL VALUE SECTION 32
WALNUTS, ENGLISH PIECES			2,200,530	$3,328,301	2,200,530	$3,328,301
APPLE SLICES, CANNED			4,831,944	$1,835,661	4,831,944	$1,835,661
APPLESAUCE, CANNED-BONUS			16,571,859	$4,202,642	16,571,859	$4,202,642
CHERRIES, FRZ RED TART PIT			4,260,870	$1,573,112	4,260,870	$1,573,112
BLACKBERRIES, FRZ			1,248,000	$819,066	1,248,000	$819,066
PEARS, D'ANJOU FRESH			1,769,535	$567,137	1,769,535	$567,137
PEARS, BOSC FRESH			121,500	$39,135	121,500	$39,135
DATE PIECES			2,162,490	$1,773,242	2,162,490	$1,773,242
FIGS, DRIED			964,500	$892,648	964,500	$892,648
PRUNES, DRIED, PITTED-BONUS			1,857,425	$1,122,072	1,857,425	$1,122,072
CHICKEN, NUGGETS, FRZ BONUS						
EGGS, WHOLE, FROZEN			2,926,410	$1,242,214	2,926,410	$1,242,214
EGG MIX			120,000	$140,400	120,000	$140,400
BEEF, FRZ GROUND BONUS			18,810,605	$19,645,211	18,810,605	$19,645,211
TOTAL GROUP A BONUS			57,845,668	$37,180,841	57,845,668	$37,180,841
SECTION 416-TYPE COMMODITIES (GROUP B) BONUS			SCHOOLS SUB-TTL LBS SEC 416	SCHOOLS SUB-T VAL SEC 416	SCHOOLS LBS SEC 416	SCHOOLS VAL SEC 416
BUTTER			75,442,848	$106,897,021	75,442,848	$106,897,021
BUTTER OIL			487,728	$829,138	487,728	$829,138
CHEESE PROCESS			84,115,950	$106,615,377	84,115,950	$106,615,377
CHEESE, CHEDDAR			37,176,450	$45,109,659	37,176,450	$45,109,659
CHEESE, MOZZARELLA			33,068,029	$39,901,004	33,068,029	$39,901,004
MILK, NFD			27,263,948	$22,148,016	27,263,948	$22,148,016
FLOUR			40,221,050	$4,450,172	40,221,050	$4,450,172
HONEY			6,919,038	$5,344,261	6,919,038	$5,344,261
RICE, MILLED			23,673,910	$3,832,244	23,673,910	$3,832,244
TOTAL GROUP B BONUS			328,368,951	$335,126,892	328,368,951	$335,126,892
GRAND TOTAL GROUP A & B BONUS			386,214,619	$372,307,733	386,214,619	$372,307,733
AMS-ASCS ENT-BONUS TOTAL	379,805,930	$114,769,152	1,023,357,659	$728,624,383	1,403,163,589	$843,393,535

BASED ON REPORT 06 AND 20 FOR SY/FY 1988 (as of 9/25/89); SECTION 6 FROM PURCHASE REPORT (as of 01/29/90)
SECTION 6 = FUNDS APPROPRIATED TO FNS
SECTION 32 = SURPLUS REMOVAL FUNDS - AMS
SECTION 416 = CCC FUNDS - ASCS
LIST DATED 11-7-89
3-9-90
CND88HT

AMS SECTION 32-TYPE COMMODITIES (GROUP A) BONUS	CCFP TOTAL POUNDS SECTION 32	CCFP TOTAL VALUE SECTION 32	SFSP TOTAL POUNDS SECTION 32	SFSP TOTAL VALUE SECTION 32	CNP PROGRAMS TOTAL POUNDS SECTION 32	CNP PROGRAMS TOTAL VALUE SECTION 32
WALNUTS, ENGLISH PIECES					2,200,530	$3,328,301
APPLE SLICES, CANNED	76,206	$28,951	18,681	$7,096	4,926,831	$1,871,708
APPLESAUCE, CANNED-BONUS	20,778	$5,268	58,199	$14,759	16,650,836	$4,222,669
CHERRIES, FRZ RED TART PIT	7,950	$2,935	13,080	$4,830	4,281,900	$1,580,877
BLACKBERRIES, FRZ					1,248,000	$819,066
PEARS, D'ANJOU FRESH					1,769,535	$567,137
PEARS, BOSC FRESH					121,500	$39,135
DATE PIECES	36,750	$30,135	570	$467	2,199,810	$1,803,844
FIGS, DRIED	4,320	$3,998			968,820	$896,646
PRUNES, DRIED, PITTED-BONUS			43,500	$26,278	1,900,925	$1,148,350
CHICKEN, NUGGETS, FRZ BONUS			800	$1,076	800	$1,076
EGGS, WHOLE, FROZEN	22,350	$9,555	12,000	$5,917	2,960,760	$1,257,686
EGG MIX			2,000	$2,529	122,000	$142,929
BEEF, FRZ GROUND BONUS	54,945	$57,641			18,865,550	$19,702,852
TOTAL GROUP A BONUS	223,299	$138,483	148,830	$62,952	58,217,797	$37,382,276
SECTION 416-TYPE COMMODITIES (GROUP B) BONUS	CCFP TTL LBS SEC 416	CCFP TTL VAL SEC 416	SFSP TTL LBS SEC 416	SFSP TTL VAL SEC 416	CNP PROG TTL LBS SEC 416	CNP PROG TTL VAL SEC 416
BUTTER	4,022,460	$5,697,589	137,700	$192,119	79,603,008	$112,786,729
BUTTER OIL					487,728	$829,138
CHEESE PROCCSS	3,306,270	$4,191,395	182,010	$224,698	87,604,230	$111,031,470
CHEESE, CHEDDAR	1,047,643	$1,263,641	40,370	$47,567	38,264,463	$46,420,867
CHEESE, MOZZARELLA	202,414	$244,306	15,073	$16,132	33,285,516	$40,161,442
MILK, NFD	406,794	$322,669	15,100	$11,288	27,685,842	$22,481,973
FLOUR	370,125	$42,406	189,750	$22,721	40,780,925	$4,515,299
HONEY	365,112	$282,955	8,700	$6,713	7,292,850	$5,633,929
RICE, MILLED	147,595	$22,863	1,850	$379	23,823,355	$3,855,486
TOTAL GROUP B BONUS	9,868,413	$12,067,824	590,553	$521,617	338,827,917	$347,716,333
GRAND TOTAL GROUP A & B BONUS	10,091,712	$12,206,307	739,383	$584,569	397,045,714	$385,098,609
AMS-ASCS ENT-BONUS TOTAL	14,337,968	$14,342,670	1,955,467	$1,108,182	1,419,457,024	$858,844,387

BASED ON REPORT 06 AND 20 FOR
SECTION 6 = FUNDS APPROPRIATED
SECTION 32 = SURPLUS REMOVAL F
SECTION 416 = CCC FUNDS - ASCS
LIST DATED 11-7-89
3-9-90
CND88HT

PRELIMINARY TOTAL POUNDS AND DOLLARS AVAILABLE FOR SY/FY 1989 FOR CHILD NUTRITION PROGRAMS

SECTION 6-32-TYPE COMMODITIES	SCHOOLS SUB-TOTAL POUNDS SECTION 6	SCHOOLS SUB-TOTAL VALUE SECTION 6	SCHOOLS SUB-TOTAL POUNDS SECTION 32	SCHOOLS SUB-TOTLA VALUE SECTION 32	SCHOOLS TOTAL POUNDS SEC 6 & 32	SCHOOLS TOTAL VALUE SEC 6 & 32
BEANS, VEGETARIAN			12,843,385	2,914,188	12,843,385	2,914,188
BEANS, REFRIED, CANNED			4,019,946	1,321,758	4,019,946	1,321,758
POTATO ROUNDS, FROZEN			36,120,060	11,594,301	36,120,060	11,594,301
POTATOES, OVEN FRY			52,718,100	15,021,911	52,718,100	15,021,911
POTATOES, DEEP FRY			6,082,440	1,773,290	6,082,440	1,773,290
SWEET POTATOES, SYRUP			6,813,401	1,935,007	6,813,401	1,935,007
SWEET POTATOES, MASHED			833,530	183,210	833,530	183,210
TOMATOES, CRUSHED			11,707,714	4,214,783	11,707,714	4,214,783
TOMATO PASTE, CANNED			4,789,648	2,367,331	4,789,648	2,367,331
TOMATOES, CANNED			7,840,567	2,915,903	7,840,567	2,915,903
WALNUTS, ENGLISH PIECES			3,942,900	6,102,348	3,942,900	6,102,348
APPLE JUICE, CANNED			35,191,745	9,000,087	35,191,745	9,000,087
APPLES, FRESH			8,051,844	1,847,889	8,051,844	1,847,889
APPLE SLICES, CANNED	4,481,568	2,000,000	5,897,931	2,632,371	10,379,499	4,632,371
APPLESAUCE, CANNED			26,768,316	7,782,056	26,768,316	7,782,056
CHERRIES, FRZ RED TART PIT			4,666,590	1,908,174	4,666,590	1,908,174
BLACKBERRIES, FROZEN			1,860,840	1,182,749	1,860,840	1,182,749
PEACHES, CLING CANNED			8,321,920	3,807,294	8,321,920	3,807,294
PEACHES, FREESTONE CND			6,547,120	2,991,667	6,547,120	2,991,667
PEACHES, FRZ FREESTONE SLICED			573,440	324,045	573,440	324,045
PEARS, CANNED			38,469,360	15,291,841	38,469,360	15,291,841
PEARS, D'ANJOU FRESH			4,877,460	1,171,075	4,877,460	1,171,075
PEARS, BOSC FRESH			686,520	200,464	686,520	200,464
PINEAPPLE, CANNED			17,977,867	7,176,766	17,977,867	7,176,766
PINEAPPLE CHUNKS						
PLUMS, CANNED, PURPLE			2,594,123	661,240	2,594,123	661,240
PLUMS, CANNED, PITTED			944,210	294,690	944,210	294,690
MIXED FRUIT			12,155,400	5,742,222	12,155,400	5,742,222
PRUNES, DRIED, PITTED			560,150	698,506	560,150	698,506
RAISINS 30#			4,485,600	2,349,115	4,485,600	2,349,115
RAISINS 144/#1			2,877,504	2,457,099	2,877,504	2,457,099
CHICKENS, FROZEN, CUT-UP	9,597,804	6,246,853	47,120,402	30,885,158	56,718,206	37,132,011
CHICKENS, FROZEN, BREADED	5,172,783	5,875,401	431,329	492,849	5,604,112	6,368,250
CHICKENS, CHILLED BULK	2,049,275	1,230,260	6,401,545	3,788,612	8,450,820	5,018,872
TURKEY, FROZEN WHOLE	8,841,187	6,899,288	5,629,461	4,322,456	14,470,648	11,221,744
TURKEY,CHILLED, BULK	2,845,319	1,940,451	4,926,901	3,360,564	7,772,220	5,301,015
TURKEY ROASTS, FROZEN	5,460,430	7,834,553	10,493,328	15,169,838	15,953,758	23,004,391
TURKEY, FROZEN GROUND			1,818,360	1,342,765	1,818,360	1,342,765
BEEF, FROZEN GROUND			79,845,480	94,733,887	79,845,480	94,733,887
BEEF, FRZ GRD COARSE-PROCESS			2,792,100	3,178,132	2,792,100	3,178,132
BEEF PATTIES, FRZ W/VPP			11,899,728	11,587,763	11,899,728	11,587,763
BEEF PATTIES, FRZ			7,217,352	8,663,975	7,217,352	8,663,975
BEEF, FRZ BONELESS-PROCESS			545,820	594,592	545,820	594,592
WAFER STEAKS, FIELD TEST	72,000	145,620			72,000	145,620
BEEF, CANNED W/NJ-ORIGIN			288,144	403,200	288,144	403,200
MEAT, LUNCHEON CANNED			756,000	1,026,193	756,000	1,026,193
PORK, FRZ GROUND			35,701,272	34,015,213	35,701,272	34,015,213
PORK, FRZ GRD COARSE-PROCESS			792,000	750,961	792,000	750,961
PORK, FRZ BONELESS PICNIC			42,000	39,585	42,000	39,585
HAM, FRZ COOKED BONELESS			8,379,120	11,990,407	8,379,120	11,990,407
TUNA, CHUNK LIGHT-WATER			4,514,497	6,182,388	4,514,497	6,182,388
FISH NUGGETS, FROZEN			13,708,160	15,912,844	13,708,160	15,912,844
BEANS, DRY			5,032,175	2,069,647	5,032,175	2,069,647
BEANS, DRY CANNED			10,388,403	2,393,476	10,388,403	2,393,476
TOTAL GROUP A	38,520,366	32,172,426	589,943,208	370,767,885	628,463,574	402,940,311

SECTION 416-TYPE COMMODITIES (GROUP B)	SCHOOLS SUB-TOTAL POUNDS SECTION 6	SCHOOLS SUB-TOTAL VALUE SECTION 6	SCHOOLS SUB-TOTAL POUNDS SECTION 32	SCHOOLS SUB-TOTAL VALUE SECTION 32	SCHOOLS TOTAL POUNDS SEC 6 & 32	SCHOOLS TOTAL VALUE SEC 6 & 32
CHEESE, MOZZARELLA UNFROZEN	1,048,320	1,383,419			1,048,320	1,383,419
CHEESE, MOZZARELLA FROZEN	14,922,764	18,749,329			14,922,764	18,749,329
BULGUR	397,000	53,920			397,000	53,920
FLOUR	169,486,768	21,700,863			169,486,768	21,700,863
GRITS, CORN	462,700	53,237			462,700	53,237
MACARONI	9,127,160	2,538,724			9,127,160	2,538,724
OATS, ROLLED	519,748	106,917			519,748	106,917
PEANUT BUTTER	11,467,585	8,762,202			11,467,585	8,762,202
PEANUT GRANULES	858,480	740,966			858,480	740,966
PEANUTS, ROASTED	3,996,384	3,291,294			3,996,384	3,291,294
RICE, MILLED	21,691,475	4,000,940			21,691,475	4,000,940
RICE, BROWN	358,375	72,985			358,375	72,985
WHEAT, ROLLED	638,800	107,192			638,800	107,192
OIL, VEGETABLE	34,174,652	13,584,877			34,174,652	13,584,877
OIL, SOYBEAN	10,381,800	3,130,090			10,381,800	3,130,090
SHORTENING, LIQUID VEG	3,884,219	1,563,673			3,884,219	1,563,673
SHORTENING, VEGETABLE	16,365,592	7,391,903			16,365,592	7,391,903
SPAGHETTI, ENRICHED	7,132,300	2,026,444			7,132,300	2,026,444
TOTAL GROUP B	306,914,122	89,258,975			306,914,122	89,258,975
GRAND TOTAL GROUP A AND B	345,434,488	121,431,401	589,943,208	370,767,885	935,377,696	492,199,286

SECTION 6-32-TYPE COMMODITIES	CCFP TOTAL POUNDS SECTION 32	CCFP TOTAL VALUE SECTION 32	SFSP TOTAL POUNDS SECTION 32	SFSP TOTAL VALUE SECTION 32	ALL CNP PROG TOTAL POUNDS SEC 6,32,416	ALL CNP PROG TOTAL VALUE SEC 6,32,416
BEANS, VEGETARIAN	58,038	13,233	15,198	3,231	12,916,611	2,930,652
BEANS, REFRIED, CANNED	46,830	15,399			4,066,776	1,337,157
POTATO ROUNDS, FROZEN	324,030	102,328	5,070	1,684	36,449,160	11,698,313
POTATOES, OVEN FRY	350,040	98,269			53,068,140	15,120,180
POTATOES, DEEP FRY	600	158			6,083,040	1,773,448
SWEET POTATOES, SYRUP	60,552	17,198			6,873,953	1,952,205
SWEET POTATOES, MASHED	820	180			834,350	183,390
TOMATOES, CRUSHED	57,450	20,681	1,937	697	11,767,101	4,236,161
TOMATO PASTE, CANNED	76,582	37,727			4,866,230	2,405,058
TOMATOES, CANNED	58,676	21,822			7,899,243	2,937,725
WALNUTS, ENGLISH PIECES	42,090	65,399	6,000	9,323	3,990,990	6,177,070
APPLE JUICE, CANNED	197,588	51,058	43,657	11,060	35,432,990	9,062,205
APPLES, FRESH	48,801	11,198			8,100,645	1,859,087
APPLE SLICES, CANNED	120,003	53,558	7,956	3,551	10,507,450	4,689,480
APPLESAUCE, CANNED	186,062	54,170	86,590	25,216	27,040,968	7,861,442
CHERRIES, FRZ RED TART PIT	20,340	8,317	14,190	5,802	4,701,120	1,922,293
BLACKBERRIES, FROZEN	3,840	2,441			1,864,680	1,185,190
PEACHES, CLING CANNED	65,760	30,087	14,760	6,753	8,402,440	3,844,134
PEACHES, FREESTONE CND	12,320	5,593	12,000	5,357	6,571,440	3,002,617
PEACHES, FRZ FREESTONE SLICED					573,440	324,045
PEARS, CANNED	227,000	88,145	210,280	90,287	38,906,640	15,470,273
PEARS, D'ANJOU FRESH	31,140	7,476			4,908,600	1,178,551
PEARS, BOSC FRESH					686,520	200,464
PINEAPPLE, CANNED	156,244	62,375	15,252	6,048	18,149,363	7,245,189
PINEAPPLE CHUNKS			6,320	2,363	6,320	2,363
PLUMS, CANNED, PURPLE	61,810	15,756			2,655,933	676,996
PLUMS, CANNED, PITTED	3,643	1,138			947,853	295,828
MIXED FRUIT	177,600	83,899	2,960	1,399	12,335,960	5,827,520
PRUNES, DRIED, PITTED	6,749	8,416			566,899	706,922
RAISINS 30#	23,160	12,130			4,508,760	2,361,245
RAISINS 144/#1	51,972	44,377			2,929,476	2,501,476
CHICKENS, FROZEN, CUT-UP	387,246	255,473	5,348	3,719	57,110,800	37,391,203
CHICKENS, FROZEN, BREADED	24,798	27,966	600	704	5,629,510	6,396,920
CHICKENS, CHILLED BULK	9,180	5,416			8,460,000	5,024,288
TURKEY, FROZEN WHOLE	91,346	69,240			14,561,994	11,290,984
TURKEY,CHILLED, BULK	3,780	2,234			7,776,000	5,303,249
TURKEY ROASTS, FROZEN	160,056	233,379			16,113,814	23,237,770
TURKEY, FROZEN GROUND	280	207	6,120	4,518	1,824,760	1,347,490
BEEF, FROZEN GROUND	287,352	339,480	14,724	17,537	80,147,556	95,090,904
BEEF, FRZ GRD COARSE-PROCESS	10,800	11,913	180	200	2,803,080	3,190,245
BEEF PATTIES, FRZ W/VPP	7,272	6,998			11,907,000	11,594,761
BEEF PATTIES, FRZ	47,808	56,939			7,265,160	8,720,914
BEEF, FRZ BONELESS-PROCESS					545,820	594,592
WAFER STEAKS, FIELD TEST					72,000	145,620
BEEF, CANNED W/NJ-ORIGIN					288,144	403,200
MEAT, LUNCHEON CANNED					756,000	1,026,193
PORK, FRZ GROUND	167,076	158,782			35,868,348	34,173,995
PORK, FRZ GRD COARSE-PROCESS					792,000	750,961
PORK, FRZ BONELESS PICNIC					42,000	39,585
HAM, FRZ COOKED BONELESS	12,440	17,418	2,280	3,297	8,393,840	12,011,122
TUNA, CHUNK LIGHT-WATER	19,827	27,152			4,534,324	6,209,540
FISH NUGGETS, FROZEN	219,040	255,876			13,927,200	16,168,720
BEANS, DRY	46,525	18,581	500	200	5,079,200	2,088,428
BEANS, DRY CANNED	52,936	12,196	9,113	2,100	10,450,452	2,407,772
TOTAL GROUP A	4,017,502	2,431,778	481,025	205,046	632,962,101	405,577,135

SECTION 416-TYPE COMMODITIES (GROUP B)	CCFP TOTAL POUNDS SECTION 6	CCFP TOTAL VALUE SECTION 6	SFSP TOTAL POUNDS SECTION 6	SFSP TOTAL VALUE SECTION 6	ALL CNP PROG TOTAL POUNDS SEC 6,32	ALL CNP PROG TOTAL VALUE SEC 6,32
CHEESE, MOZZARELLA UNFROZEN					1,048,320	1,383,419
CHEESE, MOZZARELLA FROZEN	110,015	129,004	47,029	63,637	15,079,808	18,941,970
BULGUR					397,000	53,920
FLOUR					169,486,768	21,700,863
GRITS, CORN	13,700	1,499			476,400	54,736
MACARONI	182,940	50,606	160,660	40,564	9,470,760	2,629,894
OATS, ROLLED					519,748	106,917
PEANUT BUTTER	194,380	150,427	78,377	62,137	11,740,342	8,974,766
PEANUT GRANULES	168	166	126	113	858,774	741,245
PEANUTS, ROASTED	34,848	28,861	45,600	38,801	4,076,832	3,358,956
RICE, MILLED	38,575	6,882	30,625	5,303	21,760,675	4,013,125
RICE, BROWN					358,375	72,985
WHEAT, ROLLED			216	45	639,016	107,237
OIL, VEGETABLE	176,944	65,828	176,254	62,206	34,527,850	13,712,911
OIL, SOYBEAN	6,592	2,626			10,388,392	3,132,716
SHORTENING, LIQUID VEG	32,340	12,310	4,158	1,561	3,920,717	1,577,544
SHORTENING, VEGETABLE	114,730	52,578	180,216	80,191	16,660,538	7,524,672
SPAGHETTI, ENRICHED	36,360	9,300	135,500	34,650	7,304,160	2,070,394
TOTAL GROUP B	941,592	510,087	858,761	389,208	308,714,475	90,158,270
GRAND TOTAL GROUP A AND B	4,959,094	2,941,865	1,339,786	594,254	941,676,576	495,735,405

AMS-ASCS SECTION 32-TYPE COMMODITIES (GROUP A) BONUS	SCHOOLS SUB-TOTAL POUNDS SECTION 6	SCHOOLS SUB-TOTAL VALUE SECTION 6	SCHOOLS SUB-TOTAL POUNDS SECTION 32	SCHOOLS SUB-TOTLA VALUE SECTION 32	SCHOOLS TOTAL POUNDS SEC 6 & 32	SCHOOLS TOTAL VALUE SEC 6 & 32
CHERRIES, FRZ			14,262,630	5,273,063	14,262,630	5,273,063
PEARS, D'ANJOU FRESH			1,735,515	407,671	1,735,515	407,671
DATE PIECES			2,425,950	1,837,899	2,425,950	1,837,899
FIGS, DRIED			935,850	949,886	935,850	949,886
PRUNES, DRIED, PITTED-BONUS			5,002,550	3,017,295	5,002,550	3,017,295
CHICKEN NUGGETS, FRZ BONUS			1,854,380	2,494,082	1,854,380	2,494,082
EGGS, WHOLE, FROZEN			12,497,800	6,086,487	12,497,800	6,086,487
EGG MIX			2,726,440	3,464,513	2,726,440	3,464,513
BEEF, FRZ GROUND			29,382,948	34,311,624	29,382,948	34,311,624
PORK ,FRZ GROUND			10,080,180	10,038,377	10,080,180	10,038,377
TOTAL GROUP A BONUS			80,904,243	67,880,897	80,904,243	67,880,897
SECTION 416-TYPE COMMODITIES (GROUP B) BONUS			SCHOOLS SUB-TOTAL POUNDS SECTION 416	SCHOOLS SUB-TOTLA VALUE SECTION 416	SCHOOLS TOTAL POUNDS SECTION 416	SCHOOLS TOTAL VALUE SECTION 416
BUTTER			70,007,688	97,583,127	70,007,688	97,583,127
BUTTER PATTIES, SOC			464,400	720,981	464,400	720,981
BUTTER OIL			584,064	992,909	584,064	992,909
CHEESE PROCESS			74,946,870	92,376,724	74,946,870	92,376,724
CHEESE, CHEDDAR			33,541,830	39,508,804	33,541,830	39,508,804
MILK, NFD			13,573,545	10,511,468	13,573,545	10,511,468
CORNMEAL			7,947,200	943,942	7,947,200	943,942
FLOUR			71,238,250	9,346,141	71,238,250	9,346,141
HONEY			7,051,158	5,335,808	7,051,158	5,335,808
TOTAL GROUP B BONUS			279,355,005	257,319,904	279,355,005	257,319,904
GRAND TOTAL GROUP A & B BONUS			360,259,248	325,200,801	360,259,248	325,200,801
AMS-ASCS ENT-BONUS TOTAL	345,434,488	121,431,401	950,202,456	695,968,686	1,295,636,944	817,400,087

* - INCLUDES ADJUSTMENT CODE A FOR SCH AND CCFP
BASED ON FY 89/SY89 06 AND 20 REPORTS DATED 3/5/90
SECTION 6 = FUNDS APPROPRIATED TO FNS
SECTION 32 = SURPLUS REMOVAL FUNDS - AMS
SECTION 416 = CCC FUNDS - ASCS
3-11-90
CND89HT

AMS-ASCS SECTION 32-TYPE COMMODITIES (GROUP A) BONUS	CCFP TOTAL POUNDS SECTION 32	CCFP TOTAL VALUE SECTION 32	SFSP TOTAL POUNDS SECTION 32	SFSP TOTAL VALUE SECTION 32	ALL CNP PROG TOTAL POUNDS SEC 6,32	ALL CNP PROG TOTAL VALUE SEC 6,32
CHERRIES, FRZ	136,260	50,038			14,398,890	5,323,101
PEARS, D'ANJOU FRESH	21,150	4,968			1,756,665	412,639
DATE PIECES	37,260	28,227	11,580	8,773	2,474,790	1,874,899
FIGS, DRIED	18,660	18,941			954,510	968,827
PRUNES, DRIED, PITTED-BONUS	71,375	43,118	3,125	1,874	5,077,050	3,062,287
CHICKEN NUGGETS, FRZ BONUS	24,360	32,764			1,878,740	2,526,846
EGGS, WHOLE, FROZEN	85,874	41,508			12,583,674	6,127,995
EGG MIX	17,000	21,663			2,743,440	3,486,176
BEEF, FRZ GROUND	164,052	191,610	16,344	19,371	29,563,344	34,522,605
PORK ,FRZ GROUND	76,536	74,954			10,156,716	10,113,331
TOTAL GROUP A 3ONUS	652,527	507,791	31,049	30,018	81,587,819	68,418,706
SECTION 416-TYPE COMMODITIES (GROUP B) BONUS	CCFP TOTAL POUNDS SECTION 416	CCFP TOTAL VALUE SECTION 416	SFSP TOTAL POUNDS SECTION 416	SFSP TOTAL VALUE SECTION 416	ALL CNP PROG TOTAL POUNDS SECTION 416	ALL CNP PROG TOTAL VALUE SECTION 416
BUTTER	877,896	1,224,672	131,220	182,878	71,016,804	98,990,677
BUTTER PATTIES, SOC	14,400	22,356	6,000	9,315	484,800	752,652
BUTTER OIL					584,064	992,909
CHEESE PROCESS	1,256,280	1,548,374	51,990	64,077	76,255,140	93,989,175
CHEESE, CHEDDAR	343,806	404,836	10,680	12,576	33,896,316	39,926,216
MILK, NFD	91,456	73,582	1,000	748	13,666,001	10,585,798
CORNMEAL	49,100	5,809	5,150	607	8,001,450	950,358
FLOUR	1,137,082	153,607	143,950	20,775	72,519,282	9,520,523
HONEY	1,650	1,246	21,840	16,365	7,074,648	5,353,419
TOTAL GROUP B BONUS	3,771,670	3,434,482	371,830	307,341	283,498,505	261,061,727
GRAND TOTAL GROUP A & B BONUS	4,424,197	3,942,273	402,879	337,359	365,086,324	329,480,433
AMS-ASCS ENT-BONUS TOTAL	9,383,291	6,884,138	1,742,665	931,613	1,306,762,900	825,215,838

PRELIMINARY TOTAL POUNDS AND DOLLARS AVAILABLE FOR SY/FY 1990 FOR CHILD NUTRITION PROGRAMS

SECTION 6-32-TYPE COMMODITIES	SCHOOLS SUB-TOTAL POUNDS SECTION 6	SCHOOLS SUB-TOTAL VALUE SECTION 6	SCHOOLS SUB-TOTAL POUNDS SECTION 32	SCHOOLS SUB-TOTAL VALUE SECTION 32	SCHOOLS TOTAL POUNDS SECTION 6 & 32	SCHOOLS TOTAL VALUE SECTION 6 & 32
BEANS, GREEN, CANNED			17,872,882	6,677,510	17,872,882	6,677,510
BEANS, GREEN, FROZEN			1,644,660	906,704	1,644,660	906,704
BEANS, VEGETARIAN			16,925,508	3,794,664	16,925,508	3,794,664
BEANS, REFRIED, CANNED			4,609,248	1,491,558	4,609,248	1,491,558
CORN, CANNED VACUUM			1,553,458	684,299	1,553,458	684,299
CORN, CANNED LIQUID			15,444,019	6,859,243	15,444,019	6,859,243
CORN, FROZEN			2,426,910	1,643,263	2,426,910	1,643,263
PEAS, GREEN CANNED			7,398,240	3,562,986	7,398,240	3,562,986
POTATO ROUNDS, FROZEN			20,182,980	7,748,433	20,182,980	7,748,433
POTATOES, OVEN FRY			36,410,850	12,889,427	36,410,850	12,889,427
POTATOES, DEEP FRY			2,801,400	1,010,739	2,801,400	1,010,739
SWEET POTATOES, SYRUP	5,709,393	2,509,842			5,709,393	2,509,842
SWEET POTATOES, MASHED	680,600	208,674			680,600	208,674
TOMATOES, CRUSHED	9,040,768	3,407,457			9,040,768	3,407,457
TOMATO PASTE, CANNED	8,393,650	4,143,939			8,393,650	4,143,939
TOMATOES, CANNED	1,374,207	602,451			1,374,207	602,451
APPLE JUICE, CANNED			14,928,522	3,747,359	14,928,522	3,747,359
APPLES, FRESH			6,867,588	1,333,687	6,867,588	1,333,687
APPLE SLICES, CANNED			8,859,279	3,883,020	8,859,279	3,883,020
APPLESAUCE, CANNED			22,406,797	6,181,641	22,406,797	6,181,641
APRICOTS, CANNED			9,723,352	5,080,437	9,723,352	5,080,437
CHERRIES, FRZ RED TART PIT			8,454,390	4,296,730	8,454,390	4,296,730
BLUEBERRIES, FRZ CULTIVATED			5,975,770	4,258,934	5,975,770	4,258,934
PEACHES, CLING SLICED CANNED			9,817,280	4,770,218	9,817,280	4,770,218
PEACHES, CLING DICED CANNED			1,218,200	597,283	1,218,200	597,283
PEACHES, FREESTONE CND			514,800	245,560	514,800	245,560
PEACHES, FRZ FREESTONE SLICED			6,662,048	3,885,316	6,662,048	3,885,316
PEARS, CANNED			3,948,880	1,675,508	3,948,880	1,675,508
PEARS, HALVES			13,316,520	5,638,223	13,316,520	5,638,223
PEARS, SLICED			8,322,400	3,555,330	8,322,400	3,555,330
PEARS, DICED			7,741,080	3,234,227	7,741,080	3,234,227
PEARS, D'ANJOU FRESH			3,060,450	858,149	3,060,450	858,149
PEARS, BOSC FRESH			1,578,600	384,708	1,578,600	384,708
PINEAPPLE, CANNED			16,914,115	6,346,805	16,914,115	6,346,805
PINEAPPLE CHUNKS			6,902,231	2,580,740	6,902,231	2,580,740
PLUMS, CANNED, PURPLE	1,646,230	426,081			1,646,230	426,081
PLUMS, CANNED, PITTED	1,485,473	479,062			1,485,473	479,062
MIXED FRUIT			9,280,240	4,667,962	9,280,240	4,667,962
PRUNES, DRIED, PITTED			674,880	807,628	674,880	807,628
RASPBERRIES, RED FRZ			240,120	237,864	240,120	237,864
WALNUTS, ENGLISH PIECES						
CHICKENS, FROZEN, CUT-UP	12,359,711	8,413,749	34,504,929	21,742,347	46,864,640	30,156,096
CHICKENS, FROZEN, BREADED	2,450,040	3,032,726			2,450,040	3,032,726
CHICKENS, CHILLED BULK	4,356,036	2,632,788	6,479,964	3,594,901	10,836,000	6,227,689
TURKEY, FROZEN WHOLE	8,304,893	5,602,481	8,987,347	6,054,049	17,292,240	11,656,530
TURKEY,CHILLED, BULK	2,002,088	1,248,356	3,973,912	2,583,662	5,976,000	3,832,018
TURKEY ROASTS, FROZEN	15,511,385	21,211,197			15,511,385	21,211,197
TURKEY, FROZEN GROUND			9,201,160	6,010,460	9,201,160	6,010,460
EGGS WHOLE	7,359,740	4,820,910			7,359,740	4,820,910
BEEF, FROZEN GROUND	9,548,271	11,708,999	64,534,473	82,768,911	74,082,744	94,477,910
BEEF, FRZ GRD COARSE-PROCESS			5,921,040	7,730,032	5,921,040	7,730,032
BEEF PATTIES, FRZ W/VPP			11,435,040	12,412,934	11,435,040	12,412,934
BEEF PATTIES, FRZ			9,122,076	12,234,084	9,122,076	12,234,084
BEEF, CANNED W/NJ			612,306	942,277	612,306	942,277
MEAT, LUNCHEON CANNED			324,000	428,393	324,000	428,393
PORK, FRZ GROUND			14,120,748	15,092,789	14,120,748	15,092,789
PORK, FRZ GRD COARSE-PROCESS			2,322,600	2,385,292	2,322,600	2,385,292
HAM, FRZ COOKED BONELESS			9,397,280	14,013,299	9,397,280	14,013,299
TUNA, CHUNK LIGHT-WATER			183,061	256,159	183,061	256,159
FISH NUGGETS, FROZEN			13,765,880	15,877,637	13,765,880	15,877,637
BEANS, DRY			5,357,500	2,201,384	5,357,500	2,201,384
BEANS, DRY CANNED			12,439,492	3,006,623	12,439,492	3,006,623
TOTAL GROUP A -- ENTITLEMENT	90,222,485	70,448,712	507,360,505	324,871,388	597,582,990	395,320,100

SECTION 416-TYPE COMMODITIES (GROUP B)	SCHOOLS SUB-TOTAL POUNDS SECTION 6	SCHOOLS SUB-TOTAL VALUE SECTION 6	SCHOOLS SUB-TOTAL POUNDS SECTION 32	SCHOOLS SUB-TOTAL VALUE SECTION 32	SCHOOLS TOTAL POUNDS SECTION 6 & 32	SCHOOLS TOTAL VALUE SECTION 6 & 32
CHEESE, PROCESS	1,536,360	1,885,112			1,536,360	1,885,112
CHEESE, CHEDDAR	930,197	1,097,633			930,197	1,097,633
CHEESE, MOZZARELLA UNFROZEN	120,960	160,526			120,960	160,526
CHEESE, MOZZARELLA FROZEN	11,695,122	16,056,837			11,695,122	16,056,837
NFD MILK	679,300	688,493			679,300	688,493
FLOUR	173,867,850	23,080,726			173,867,850	23,080,726
GRITS, CORN	401,150	42,650			401,150	42,650
MACARONI	8,486,020	1,812,741			8,486,020	1,812,741
OATS, ROLLED	328,128	66,671			328,128	66,671
PEANUT BUTTER	13,113,941	10,176,112			13,113,941	10,176,112
PEANUT GRANULES	295,785	279,468			295,785	279,468
PEANUTS, ROASTED	3,154,512	2,748,515			3,154,512	2,748,515
RICE, MILLED	19,565,575	3,751,401			19,565,575	3,751,401
RICE, BROWN	310,600	67,493			310,600	67,493
WHEAT, ROLLED	532,954	111,356			532,954	111,356
OIL, VEGETABLE	34,380,283	11,587,858			34,380,283	11,587,858
OIL, SOYBEAN	9,569,584	2,316,910			9,569,584	2,316,910
SHORTENING, LIQUID VEG	6,045,573	2,149,080			6,045,573	2,149,080
SHORTENING, VEGETABLE	15,571,604	5,590,880			15,571,604	5,590,880
SPAGHETTI, ENRICHED	7,582,720	1,762,150			7,582,720	1,762,150
TOTAL GROUP B -- ENTITLEMENT	308,168,218	85,432,612			308,168,218	85,432,612
GRAND TOTAL GROUP A AND B-ENT	398,390,703	155,881,324	507,360,505	324,871,388	905,751,208	480,752,712

SECTION 6-32-TYPE COMMODITIES	CCFP TOTAL POUNDS SECTION 32	CCFP TOTAL VALUE SECTION 32	SFSP TOTAL POUNDS SECTION 32	SFSP TOTAL VALUE SECTION 32	CNP ROGRAMS TOTAL POUNDS SECTION 6 & 32	CNP ROGRAMS TOTAL VALUE SECTION 6 & 32
BEANS, GREEN, CANNED	203,300	75,966	13,490	5,040	18,089,672	6,758,516
BEANS, GREEN, FROZEN	98,340	54,214			1,743,000	960,918
BEANS, VEGETARIAN	105,706	24,133	2,228	490	17,033,442	3,819,287
BEANS, REFRIED, CANNED	46,410	15,020	210	68	4,655,868	1,506,646
CORN, CANNED VACUUM	4,415	1,944	141	62	1,558,014	686,305
CORN, CANNED LIQUID	88,007	38,846			15,532,026	6,898,089
CORN, FROZEN	4,890	3,311	1,500	1,016	2,433,300	1,647,590
PEAS, GREEN CANNED	53,800	25,910	2,000	963	7,454,040	3,589,859
POTATO ROUNDS, FROZEN	118,380	45,470	52,200	20,050	20,353,560	7,813,953
POTATOES, OVEN FRY	146,220	51,761	6,150	2,177	36,563,220	12,943,365
POTATOES, DEEP FRY					2,801,400	1,010,739
SWEET POTATOES, SYRUP	54,047	23,758			5,763,440	2,533,600
SWEET POTATOES, MASHED					630,600	208,674
TOMATOES, CRUSHED	56,680	21,362			9,097,448	3,428,819
TOMATO PASTE, CANNED	89,857	44,360			8,483,507	4,188,299
TOMATOES, CANNED	3,825	1,677	1,913	839	1,379,945	604,967
APPLE JUICE, CANNED	477,132	114,187			15,405,654	3,861,546
APPLES, FRESH	41,179	8,595			6,908,767	1,342,282
APPLE SLICES, CANNED	163,995	71,877	1,950	855	9,025,224	3,955,752
APPLESAUCE, CANNED	201,817	55,588	92,543	25,646	22,701,157	6,262,875
APRICOTS, CANNED	85,134	44,482			9,808,486	5,124,919
CHERRIES, FRZ RED TART PIT	147,750	72,881			8,602,140	4,369,611
BLUEBERRIES, FRZ CULTIVATED	69,520	49,547			6,045,290	4,308,481
PEACHES, CLING SLICED CANNED	103,480	50,284			9,920,760	4,820,502
PEACHES, CLING DICED CANNED					1,218,200	597,283
PEACHES, FREESTONE CND	3,200	1,526			518,000	247,086
PEACHES, FRZ FREESTONE SLICED	6,784	3,957			6,668,832	3,889,273
PEARS, CANNED	3,200	1,357	37,000	15,699	3,989,080	1,692,564
PEARS, HALVES	68,160	28,860	400	169	13,385,080	5,667,252
PEARS, SLICED	95,480	40,788			8,417,880	3,596,118
PEARS, DICED	13,800	5,767	148,000	61,834	7,902,880	3,301,828
PEARS, D'ANJOU FRESH	7,605	2,133			3,068,055	860,282
PEARS, BOSC FRESH	900	219			1,579,500	384,927
PINEAPPLE, CANNED	32,438	12,128			16,946,553	6,358,933
PINEAPPLE CHUNKS	27,549	10,301			6,929,780	2,591,041
PLUMS, CANNED, PURPLE	16,063	3,863			1,662,293	429,944
PLUMS, CANNED, PITTED	4,140	1,335			1,489,613	480,397
MIXED FRUIT	95,680	48,128	2,000	1,006	9,377,920	4,717,096
PRUNES, DRIED, PITTED	56,096	36,260			730,976	843,888
RASPBERRIES, RED FRZ					240,120	237,864
WALNUTS, ENGLISH PIECES	25,920	36,453			25,920	36,453
CHICKENS, FROZEN, CUT-UP	268,160	171,387			47,132,800	30,327,483
CHICKENS, FROZEN, BREADED	4,860	6,023			2,454,900	3,038,749
CHICKENS, CHILLED BULK					10,836,000	6,227,689
TURKEY, FROZEN WHOLE	59,680	42,144			17,351,920	11,698,674
TURKEY, CHILLED, BULK					8,976,000	3,832,018
TURKEY ROASTS, FROZEN	58,925	86,198			15,570,310	21,297,395
TURKEY, FROZEN GROUND	72,800	47,103			9,273,960	6,057,563
EGGS WHOLE	21,990	14,267			7,381,730	4,835,177
BEEF, FROZEN GROUND	370,080	467,085	8,964	11,226	74,461,788	94,956,221
BEEF, FRZ GRD COARSE-PROCESS	960	1,306			8,922,000	7,731,338
BEEF PATTIES, FRZ W/VPP					11,435,040	12,412,934
BEEF PATTIES, FRZ	51,480	68,453			9,173,556	12,302,537
BEEF, CANNED W/NJ					612,306	942,277
MEAT, LUNCHEON CANNED					324,000	428,393
PORK, FRZ GROUND	53,676	56,779			14,174,424	15,149,568
PORK, FRZ GRD COARSE-PROCESS	7,800	8,078			2,330,400	2,393,370
HAM, FRZ COOKED BONELESS	50,240	69,517			9,447,520	14,082,816
TUNA, CHUNK LIGHT-WATER					183,061	256,159
FISH NUGGETS, FROZEN	93,800	108,740			13,859,680	15,986,377
BEANS, DRY	2,500	1,002			5,380,000	2,202,386
BEANS, DRY CANNED	16,202	3,917	2,025	489	12,457,719	3,011,029
TOTAL GROUP A -- ENTITLEMENT	3,954,052	2,280,247	372,714	147,629	601,909,756	397,747,976

SECTION 416-TYPE COMMODITIES (GROUP B)	CCFP TOTAL POUNDS SECTION 6	CCFP TOTAL VALUE SECTION 6	SFSP TOTAL POUNDS SECTION 6	SFSP TOTAL VALUE SECTION 6	CNP ROGRAMS TOTAL POUNDS SECTION 6 & 32	CNP ROGRAMS TOTAL VALUE SECTION 6 & 32
CHEESE, PROCESS					1,536,360	1,885,112
CHEESE, CHEDDAR	11,603	13,691			941,800	1,111,324
CHEESE, MOZZARELLA UNFROZEN					120,960	160,526
CHEESE, MOZZARELLA FROZEN	34,040	46,729	20,160	27,668	11,749,322	16,131,234
NFD MILK	7,500	6,075			686,800	694,568
FLOUR					173,867,850	23,080,726
GRITS, CORN					401,150	42,650
MACARONI	164,760	35,644	191,000	39,327	8,841,780	1,887,712
OATS, ROLLED					128,128	66,671
PEANUT BUTTER	194,458	153,234	86,545	67,977	13,394,944	10,397,323
PEANUT GRANULES					295,785	279,468
PEANUTS, ROASTED	63,168	55,277	108,000	92,860	3,325,680	2,896,652
RICE, MILLED	37,325	7,230	8,625	1,641	19,611,525	3,760,272
RICE, BROWN	300	62			310,900	67,555
WHEAT, ROLLED	1,440	298	150	31	534,544	111,685
OIL, VEGETABLE	237,653	80,966	90,552	30,402	34,708,488	11,699,226
OIL, SOYBEAN	406,000	98,667	5,000	1,215	9,980,584	2,416,792
SHORTENING, LIQUID VEG	2,541	887	55,440	19,632	6,103,554	2,169,599
SHORTENING, VEGETABLE	201,032	62,004	120,096	42,547	15,892,732	5,695,431
SPAGHETTI, ENRICHED	68,180	15,935	80,500	19,015	7,731,400	1,797,100
TOTAL GROUP B -- ENTITLEMENT	1,430,000	576,699	766,068	342,315	310,364,286	86,351,626
GRAND TOTAL GROUP A AND B-ENT	5,384,052	2,856,946	1,138,782	489,944	912,274,042	484,099,602

AMS SECTION 32-TYPE COMMODITIES (GROUP A) BONUS	SCHOOLS SUB-TOTAL POUNDS SECTION 6	SCHOOLS SUB-TOTAL VALUE SECTION 6	SCHOOLS SUB-TOTAL POUNDS SECTION 32	SCHOOLS SUB-TOTAL VALUE SECTION 32	SCHOOLS TOTAL POUNDS SECTION 6 & 32	SCHOOLS TOTAL VALUE SECTION 6 & 32
WALNUTS, ENGLISH PIECES			1,820,940	2,560,968	1,820,940	2,560,968
APPLES, FRESH			5,588,089	1,272,408	5,588,089	1,272,408
CHERRIES, FRZ			3,462,420	1,647,044	3,462,420	1,647,044
DATE PIECES			2,414,760	1,652,183	2,414,760	1,652,183
FIGS, DRIED			1,635,360	1,386,786	1,635,360	1,386,786
PRUNES, DRIED PITTED 16/20			2,055,808	1,328,873	2,055,808	1,328,873
PRUNES, DRIED, PITTED-BONUS			1,817,150	1,123,004	1,817,150	1,123,004
TOTAL GROUP A BONUS			18,794,527	10,971,266	18,794,527	10,971,266
SECTION 416-TYPE COMMODITIES (GROUP B) BONUS			SCHOOLS SUB-TTL LBS SEC 416	SCHOOLS SUB-TTL VAL SEC 416	SCHOOLS LBS SEC 416	SCHOOLS VAL SEC 416
BUTTER			65,467,785	80,320,085	65,467,785	80,320,085
BUTTER PATTIES, SOC			230,400	357,696	230,400	357,696
BUTTER OIL			273,024	464,141	273,024	464,141
CORNMEAL			8,062,200	886,386	8,062,200	886,386
FLOUR			28,536,750	3,846,200	28,536,750	3,846,200
HONEY			7,282,560	5,423,333	7,282,560	5,423,333
TOTAL GROUP B BONUS			109,852,719	91,297,841	109,852,719	91,297,841
GRAND TOTAL GROUP A & B BONUS			128,647,246	102,269,107	128,647,246	102,269,107
AMS-ASCS ENT-BONUS TOTAL	398,390,703	155,881,324	636,007,751	427,140,495	1,034,398,454	583,021,819

* - INCLUDES ADJUSTMENT CODE A FOR SCH AND CCFP
BASED ON FY 90/SY90 06 AMC 20 REPORTS DATED 3/5/90
SECTION 6 = FUNDS APPROPRIATED TO FNS
SECTION 32 = SURPLUS REMOVAL FUNDS - AMS
SECTION 416 = CCC FUNDS - ASCS
3-12-90
CMD9CHT

AMS SECTION 32-TYPE COMMODITIES (GROUP A) BONUS	CCFP TOTAL POUNDS SECTION 32	CCFP TOTAL VALUE SECTION 32	SFSP TOTAL POUNDS SECTION 32	SFSP TOTAL VALUE SECTION 32	CNP ROGRAMS TOTAL POUNDS SECTION 6 & 32	CNP ROGRAMS TOTAL VALUE SECTION 6 & 32
WALNUTS, ENGLISH PIECES	6,000	8,438			1,826,940	2,569,406
APPLES, FRESH	21,053	4,794			5,609,142	1,277,202
CHERRIES, FRZ	24,720	12,624			3,487,140	1,659,668
DATE PIECES	30,030	20,548	750	513	2,445,540	1,673,244
FIGS, DRIED	25,650	22,729			1,661,010	1,409,515
PRUNES, DRIED PITTED 16/2#	2,912	1,883	6,400	4,137	2,065,120	1,334,893
PRUNES, DRIED, PITTED-BONUS	17,000	10,506			1,834,150	1,133,510
TOTAL GROUP A BONUS	127,365	81,522	7,150	4,650	18,929,042	11,057,438
SECTION 416-TYPE COMMODITIES (GROUP B) BONUS	CACF TTL LBS SEC 416	CACF TTL VAL SEC 416	SFSP LBS SEC 416	SFSP VAL SEC 416	CNP ROGRAMS LBS SEC 416	CNP ROGRAMS VAL SEC 416
BUTTER	717,876	889,828	105,228	122,141	66,290,889	81,332,054
BUTTER PATTIES, SOC					230,400	357,696
BUTTER OIL					273,024	464,141
CORNMEAL	50,200	5,630			8,112,400	892,016
FLOUR	952,750	134,841	77,500	11,079	29,567,000	3,992,120
HONEY	63,660	47,950	5,220	3,929	7,351,440	5,475,212
TOTAL GROUP B BONUS	1,784,486	1,078,249	187,948	137,149	111,825,153	92,513,239
GRAND TOTAL GROUP A & B BONUS	1,911,851	1,159,771	195,098	141,799	130,754,195	103,570,677
AMS-ASCS ENT-BONUS TOTAL	7,295,903	4,016,717	1,333,880	631,743	1,043,028,237	587,670,279

NUTRITION EDUCATION AND TRAINING

Mr. WHITTEN. For the record, please provide the Nutrition Education and Training Program request that the Food and Nutrition Service made to the Secretary, the amount of the request the Secretary submitted to OMB and the amount OMB allotted for Fiscal Year 1991.

Mrs. NELSEN. I will provide that information for the record.

[The information follows:]

Nutrition education and training requests for fiscal year 1991

Nutrition Education and Training:	
Agency request	$5,000,000
Department request	5,000,000
OMB allotment	5,000,000

SCHOOL LUNCH PROGRAM

Mr. WHITTEN. Please explain why the number of lunches served from Fiscal Year 1988 to Fiscal Year 1989 in the low income range dropped 1.57 percent.

Mrs. NELSEN. We have seen slight year-to-year decreases in the number of lunches served due to children in the NSLP since Fiscal Year 1986. This may be attributable to fewer school days, school closings due to inclement weather and teacher strikes.

STATE ADMINISTRATIVE EXPENSES

Mr. WHITTEN. On page 32g–2 of your explanatory notes, you state an additional $5.1 million was made available from recoveries and carryover funds in Fiscal Year 1989. How much was from recoveries and how much was from carryover funds?

Mrs. NELSEN. Of the additional $5.1 million made available from recoveries and carryover funds in Fiscal Year 1989, $2.3 million was from recoveries and $2.8 million was from carryover.

SUMMER FOOD SERVICE PROGRAM

Mr. WHITTEN. In the summer of 1988, FNS administered the Summer Food Service Program in 10 States. In the summer of 1989, FNS administered the program in six States. Please explain this decrease.

Mrs. NELSEN. The States of South Carolina, Tennessee, Arkansas, and Washington assumed responsibility for administration of the Summer Food Service Program in their respective States for the summer of 1989. Previously, the program had been directly administered by FNS in these States. This change in administration resulted in part from FNS's efforts to encourage State agency administration of the program. FNS believes that the program and its participants are better served by direct State administration.

Mr. WHITTEN. How many States do you expect to administer the program for the summer of 1990?

Mrs. NELSEN. The Department does not expect any changes in the State-level administration of the Summer Food Service Program in 1990.

Mr. WHITTEN. Provide a brief synopsis of the results of the demonstration project examining the effects of allowing private nonprofit organizations to operate the Summer Food Service Program.

Mrs. NELSEN. I will provide preliminary results of the effects of allowing private nonprofit organizations to operate the Summer Food Service Program because the final report is still in its analysis phase. The final report will be available later in 1990.

Preliminary results indicate that the demonstration had a limited impact on the number of children served. The increase was much lower than each of the five States had anticipated. While States originally estimated that an additional 34,000 children would be served daily, the actual daily increase was 8,700. In total, private nonprofit sponsorship increased participation by 6 percent over the prior year in the five demonstration States.

States were moderately successful in attracting rural sites. Thirty-one of the 53 private nonprofit sponsors were in rural areas. However, because urban sites tended to be larger than rural sites, a greater proportion of the meals served were provided to children in urban settings.

Last summer, FNS staff conducted reviews at a limited number of sponsor sites. The results of these reviews indicate that many of the problems that caused private nonprofit sponsors to be eliminated from the Summer Food Service Program still remain. Many private nonprofit organizations reviewed not only failed to meet standards of accountability, but also did not provide nutritious meals.

In nearly half of the reviews conducted, sponsors either could not substantiate meal claims or served meals that did not include all the required components. Documented problems include failing to obtain accurate meal counts; serving meals away from the site or to ineligible persons; altering attendance records; serving meals with undersized or missing components; keeping incomplete, incorrect or altered production records; providing identical breakfast and lunch meal counts over time despite significant fluctuations in attendance; and not having free and reduced price applications.

NATIONAL COMMODITY PROCESSING

Mr. WHITTEN. As a result of monitoring activities under the National Commodity Processing Program, FNS recovered $2.8 million from Fiscal Year 1982 through Fiscal Year 1988. This amount increased to approximately $4.0 million in Fiscal Year 1989. What has contributed to the recovery of almost $1.2 million in 1 year, whereas it took 6 years to recover $2.8 million?

Mrs. NELSEN. FNS recovers funds when reviews discover inappropriate procedures or when processors leave the program or have to buy-down commodities because of excess inventories. The following table reflects the value of annual recoveries since the program began. As the table shows, most of the recoveries took place prior to Fiscal Year 1989. Variations from year to year reflect processor performance, the number of participating processors, types of commodities available to the program, and the value of the commodities. I will provide additional information for the record.

[The information follows:]

Year:	Value (millions)
1984/1985	$0.5
1985/1986	1.2
1986/1987	.9
1987/1988	1.4
1988/1989	.06
Total	4.0

Mr. **Whitten**. Please provide a table showing the resources used to support this program and the amounts recovered since the program began in Fiscal Year 1982.

Mrs. **Nelsen**. I will provide that for the record.

[The information follows:]

Current resources	[1] $500,000
Total recoveries	$4,049,439

[1] Includes 9.9 staff years ($430,000) and other support ($70,000).

SPECIAL MILK PROGRAM

Mr. **Whitten**. In your Fiscal Year 1990 budget you estimated serving 210.5 million half-pints of milk in the Special Milk Program in Fiscal Year 1989. According to this year's budget, you actually served 189.593 million half-pints of milk in Fiscal Year 1989, a decrease of 20.907 million. On what do you base your estimates for Fiscal Years 1990 and 1991?

Mrs. **Nelsen**. Half-pint projections for Fiscal Years 1990 and 1991 are based on historical trends and analysis.

It should be noted that anticipated significant growth resulting from recent legislation allowing participation of some split session kindergarten programs did not materialize. This accounts for the difference between projected and actual half-pints served in Fiscal Year 1989. We have taken this fact into account in projecting program needs for Fiscal Year 1991.

Mr. **Whitten**. Please explain why you anticipate the availability of an unobligated balance of funds from Fiscal Year 1990.

Mrs. **Nelsen**. An unobligated balance of funds from Fiscal Year 1990 is anticipated due to a lower than expected growth in half-pints served in Fiscal Year 1989. These funds were brought forward to Fiscal Year 1990, which will result in an unobligated balance at the end of this fiscal year.

WIC PROGRAM

Mr. **Whitten**. According to your explanatory notes, program funds are expected to support an average monthly participation rate in Fiscal Year 1990 of at least 4.6 million participants. This is roughly an increase of 500,000 per month over Fiscal Year 1989 participation. How much of the increase can be attributed to rebates negotiated by States with infant formula companies?

Mrs. **Nelsen**. Almost two-thirds, over 300,000, of the increase in WIC participation in 1990 is attributable to infant formula rebates. Total WIC participation has increased substantially in 1990 due to infant formula rebates.

Mr. **Whitten**. How much of the increase is due to increased appropriations?

Mrs. **Nelsen**. Over two-thirds of the appropriation increase was needed to support higher costs due to inflation and the administrative funding changes contained in P.L. 101-147, the WIC reauthorization legislation. The rest of the appropriation increase funded a participation increase of almost 200,000 or about one-third of the total increase in participation.

Mr. **Whitten**. P.L. 101-147 allows State agency fiscal year carryover authority from the second year of approved cost containment procedures in an amount equal to 3 percent of the State's food grant. Do you know of any States that have indicated an excess of the three percent limit?

Mrs. **Nelsen**. Legislation allows State agencies different levels of carryover authority depending on their status in conducting cost containment procedures. All States may carry over 1 percent of their total grant, and State agencies with cost containment procedures may carry over 5 percent of their food grant in the first year of the cost containment initiative and 3 percent in the second year.

Although we do not yet have final reported expenditure data for Fiscal Year 1989, we have done some estimation on State agency exercise of the carryover authority. A total of 23 State agencies still had about $14 million in food funds remaining after each was allowed to retain its proper carryover authority amount. Of the 12 State agencies which qualify to carry over 3 percent of their total grants, four—Alabama, Florida, Kentucky, and North Carolina—have exceeded this carryover limit.

Mr. **Whitten**. Public Law 101-147 mandates that $8 million be allocated to States to promote breastfeeding by WIC participants. Please tell the Committee how you plan to fulfill this requirement.

Mrs. **Nelsen**. The $8 million specifically identifies a portion of States' nutrition services and program administration dollars that must be spent for breastfeeding promotion and support activities. Prenatal mothers need to be educated concerning the many benefits of breastfeeding, especially those that will improve the health of their infants. These funds are intended to increase the number of breastfeeding mothers and the length of time that mothers breastfeed.

Each State agency must expend for breastfeeding promotion and support activities an amount equal to a proportionate share of $8 million, as determined by the number of pregnant and breastfeeding women in the WIC Program in the State agency as a percentage of the number of pregnant and breastfeeding women in the WIC Program in all State agencies. The $8 million is a spending quota; no additional funds are provided to State agencies for this purpose.

The Secretary is permitted to authorize State agencies to spend less than the required amounts for nutrition education and breastfeeding promotion and support if the State agency demonstrates that other funds will be used to provide equal service. The State agency must submit a request accompanied by appropriate documentation to justify this exception. All funding expenditures related to nutrition education and breastfeeding promotion and support activities must be adequately documented to provide an audit trail.

FNS has been very active in the promotion of breastfeeding by WIC participants. I will provide for the record a copy of an April

1989 publication and a March 1990 update report that explains in detail our efforts in this regard.

[The information follows:]

March 1990

USDA EFFORTS TO PROMOTE BREASTFEEDING IN WIC

Regulatory Provisions

The current Federal regulations for WIC include various provisions to encourage women to breastfeed and to provide appropriate nutritional support for breastfeeding participants. These provisions require WIC local agencies to provide encouragement to breastfeeding, unless medically contraindicated, to all pregnant program participants during nutrition education contacts.

The priority system specified by regulation considers breastfeeding women to be at a higher level of nutritional risk than nonbreastfeeding postpartum women. This priority system is used to determine a program applicant's position on the waiting list when a local agency has reached maximum caseload. Persons in the highest priorities are served first when caseload openings become available. Further, State agencies serving large proportions of higher priority participants, which include breastfeeding women and their infants, are rewarded through the WIC funding formula.

A breastfeeding woman not at nutritional risk may also be certified for WIC based upon the eligibility of her at-risk breastfed infant. Breastfeeding women may also receive WIC benefits for up to 1 year postpartum while nonbreastfeeding women are eligible for WIC benefits for only 6 months postpartum. In addition, a WIC food package containing a greater variety and quantity of food is provided to breastfeeding women than to postpartum women.

Regulatory provisions are now being expanded to include a national definition for the term "breastfeeding" and standards for breastfeeding promotion.

Breastfeeding Education Resources

As another breastfeeding promotion activity, USDA has developed several publications to help local agency staff teach WIC participants about breastfeeding. For example, How WIC Helps: Eating for You and Your Baby is printed in English and Spanish and provides guidance on the quantities and types of nutritious foods required in the daily diets of pregnant and breastfeeding women.

Promoting Breastfeeding: A Guide for Health Professionals Working in the WIC and CSF Programs contains a variety of ideas and successful approaches to help health providers be more effective in their efforts to promote breastfeeding.

Promoting Breastfeeding in WIC: A Compendium of Practical Approaches discusses the findings of the WIC Breastfeeding Promotion Study and Demonstration carried out in fiscal years 1986-89. It contains a variety of ideas for breastfeeding promotion, a cross-site analysis of issues related to the promotion of breastfeeding in WIC, and case study reports on eight exemplary sites--six WIC and two non-WIC sites.

The Nutrition Education Resource Guide: An Annotated Bibliography of Education Materials for the WIC and CSF Programs describes references and educational materials on breastfeeding developed by a wide range of sources.

Cooperative Efforts

The Department also participates in numerous cooperative efforts with other Federal agencies and private organizations to promote breastfeeding. USDA is a member of the national Healthy Mothers, Healthy Babies (HM,HB) Coalition which produced and distributed a resource packet on breastfeeding for health professionals to encourage them to promote breastfeeding with their clients.

In April 1982, USDA and the U.S. Department of Health and Human Services (DHHS) cosponsored a satellite video-teleconference for the purpose of increasing health professionals' knowledge and understanding of new research in the area of maternal and infant nutrition. A major segment of this conference was devoted to the topic of breastfeeding.

USDA also participates with DHHS in a Joint Nutrition Education Advisory Committee for Maternal and Child Nutrition Publications. This committee focused its efforts on breastfeeding promotion and education in fiscal year 1983 and initiated the idea for the breastfeeding resource packet developed and distributed by the HM,HB Coalition.

In fiscal years 1989 and 1990 the focus of a joint USDA and DHHS, Office of Maternal and Child Health (OMCH), effort was in the area of continuing education in lactation management. WIC personnel were invited to participate in 10 regional conferences supported by OMCH through a training grant to the University of California-San Diego; USDA provided funding for several additional conferences through an Interagency Agreement with OMCH.

An expansion of this effort is the funding by USDA of three continuing education conferences to improve breastfeeding promotion, including lactation management, in State and local WIC and Maternal and Child Health Programs. The conferences are being conducted in Fiscal Year 1990. This is being carried out through an Interagency Agreement between USDA and DHHS.

The Department is now further expanding this training effort, but changing the approach to allow greater WIC State agency flexibility in designing conferences to meet State and regional needs. USDA is in the process of awarding grants to three WIC State agencies in Fiscal Year 1990 to conduct conferences in breastfeeding promotion and support activities.

Breastfeeding Education Grants

In 1979, USDA awarded three grants to fund projects on breastfeeding:

- o Baylor College of Medicine in Houston, Texas, was awarded a grant to develop and evaluate breastfeeding education curricula, training manuals and teaching methods and materials for use in WIC. This grant also funded research in the area of lactation failure.
- o The Papago Nutrition Improvement Programs in Sells, Arizona, was awarded a grant to develop a breastfeeding education network with six other health agencies on a reservation. The local Indian health agency developed a tested training protocol for field workers and staff, a team approach model for coordinating services among numerous agencies, and a model to show ways of increasing breastfeeding on other Indian reservations.
- o The Windham Community Action Program in Windham, Connecticut, was granted funds to identify and understand psychological and culture barriers to breastfeeding. This project also used grant money to develop and test the effectiveness of different strategies for overcoming resistance to breastfeeding.

The results from these projects have been useful in identifying barriers to breastfeeding and in developing or improving breastfeeding education programs in local WIC agencies.

USDA is currently funding a 3-year WIC Breastfeeding Promotion Study and Demonstration to further identify, evaluate and demonstrate approaches to effectively promote breastfeeding in WIC. Information on practical approaches to breastfeeding promotion was collected from exemplary WIC sites and compiled into a compendium which was distributed to all WIC State agencies in 1988. Results of the WIC site demonstrations will be reported in late 1990 which will provide greater insight on the best methods to increase breastfeeding rates among WIC participants.

FARMERS' MARKET DEMONSTRATION PROJECTS

Mr. WHITTEN. FNS awarded $2.0 million in grant funds to 10 States for a 3-year Farmers' Market Coupon Demonstration Project in Fiscal Year 1989 and $2.8 million in Fiscal Year 1990. What conclusions can be made resulting from the evaluation of the projects in Fiscal Year 1989?

Mrs. NELSEN. Although we are not yet able to provide information from the formal evaluation of the demonstrations, information from Fiscal Year 1989 Financial Status Reports is available. These reports indicate that most States are expending farmers' market demonstration grant funds commensurate with projected participation levels. A few projects experienced participation levels that were lower than estimated. However, any unspent grant funds from Fiscal Year 1989 may be used by the grantees for Fiscal Year 1990 operations.

The evaluation of the projects, begun in 1989, is being conducted in two parts, the process evaluation and the impact evaluation. The process evaluation collected data in each State during the 1989 project season to examine the general management and accountability of the demonstrations. The impact evaluation, to collect data during the 1990 season, will examine the effects of the demonstration projects on both WIC Program recipients and farmers. The results from both will form the basis of a report due to Congress by April 1991.

The Fiscal Year 1990 apportionment of WIC Program funds included $2 million to continue operation of the demonstrations in the second project year. Funds were allocated to States based on the same pro rata share as Fiscal Year 1989.

DRUG ABUSE EDUCATION

Mr. WHITTEN. Public Law 100-690, enacted November 18, 1988, directed USDA to conduct a study of appropriate methods of drug abuse education for WIC participants. Please update the Committee on the status of this study.

Mrs. NELSEN. The Department contracted with the American Council for Drug Education—ACDE—to conduct a study of appropriate methods of drug abuse education in the Special Supplemental Food Program for Women, Infants and Children. The report, entitled "A Study of Appropriate Methods of Drug Abuse Education for Use in the WIC Program," was published in January 1990. It documents and assesses various approaches, and makes recommendations for implementing drug abuse information and referrals in WIC. We have sent copies of this report to cognizant congressional committees and members of Congress along with organizations serving WIC's target population. In addition, each WIC State agency was provided a copy of the report, and a mailing to each of the approximately 1,700 local WIC agencies is planned for the near future.

Findings from the study were formally presented by Mr. Lee Dogoloff, Executive Director of ACDE, during a session of the Seventh Annual Conference of the National Association of WIC Directors in February 1990. The Department has already begun to implement study recommendations. Currently, the Department is developing a resource manual to assist local agency staff in providing drug abuse information, screening, referrals, and a brochure and poster advising WIC participants about the dangers of drug use during pregnancy and while breastfeeding.

Mr. **Whitten**. Why do you propose to not fund any anti-drug abuse projects in Fiscal Year 1991?

Mrs. **Nelsen**. WIC's role in the important effort to reduce the threat of substance abuse among the prenatal population is essentially an information, education and referral function. This role is consistent with WIC's mission to serve as an adjunct to health care services. We have committed significant program resources appropriated in Fiscal Year 1989 to prepare WIC State and local agencies to effectively undertake information, education, and referral activities. Further allocation could take place only at the expense of services to additional program participants.

We would like to note, however, that WIC continues to be active in many other ways to address the health threat that substance abuse poses to women, infants, and children. We are active in the Substance Abuse Subcommittee of the Healthy Mothers/Healthy Babies Coalition. We continually keep our State cooperators informed of activities and demonstration grant initiatives sponsored by the Office of Substance Abuse Prevention within the Department of Health and Human Services. We distribute Fetal Alcohol Syndrome materials to our State and local agency cooperators, and we are working with the Indian Health Service to develop a Memorandum of Understanding to better define, among other issues, WIC's role in fighting substance abuse among Native American populations.

WIC ADMINISTRATIVE FUNDING

Mr. **Whitten**. Please explain in some detail the increase in administrative funding due to P.L. 101-147.

Mrs. **Nelsen**. Previous legislation mandated that 20 percent of the funds appropriated—less funds used for evaluation and demonstrations—for the WIC Program be made available for State and local agency costs for nutrition services and program administration. Public Law 101-147 eliminated the 20 percent limit and instead mandated that a national guaranteed average administrative grant per person be used in determining the amount of funds available for nutrition services and program administration.

This law also changed the method for determining the inflation adjustment for nutrition services and program administration funding. Previously, the same inflation impact was assumed for food funds and nutrition services and program administration funds. The new law requires that the national guaranteed average grant per participant shall be equal to the national average per participant grant for Fiscal Year 1987, adjusted to reflect annual inflation increases based on an index related to State and local government purchases.

In Fiscal Year 1990, the proportion of funds allocated for nutrition services and program administration was 22.4 percent, or $478 million. Under the previous legislation the amount would have been $426 million—a difference of $52 million.

The legislation also provides that State agencies which—through acceptable measures—have increased participation beyond the Federal projected participation level can convert food funds to nutrition services and program administration funds necessary to maintain their administrative grant per participant, to the extent that such funds are needed to cover allowable administrative expenses. As a result, State agencies may spend more than the $478 million awarded due to their conversion authority. We project that in Fiscal Year 1990 about $518 million, or 24.4 percent of total funds, will be allocated to nutrition services and program administration.

WIC AUDITS

Mr. WHITTEN. Please list the projects that were initiated in Fiscal Year 1989 as a result of the OIG audit of WIC State Agency Vendor Monitoring Systems, vendor compliance activities, the reconciliation process, efforts to detect and prevent dual participation, and the overall FNS/State agency monitoring. Include a brief description, cost and estimated completion date for each project.

Mrs. NELSEN. I will provide a summary for the record. In response to the OIG audit, the Department developed new food delivery regulations and initiated several studies and projects. Cost and completion date information is provided where available.

[The information follows:]

Food and Delivery Regulations.—Proposed Food Delivery Regulations designed to primarily strengthen and improve vendor management and food instrument accountability have entered formal clearance. The vendor management areas addressed include: staffing, limiting and selection of vendors, vendor authorization requirements, vendor agreement stipulations, vendor training, high-risk identification and compliance buy requirements, overcharge identification and collection, and vendor sanctions and appeals. Related areas addressed include: detection and prevention of dual participation, food instrument reconciliation, participant sanctions, food instrument security, and State agency management evaluation and corrective action requirements.

The Illinois WIC Competitive Vendor Selection Pilot Project.—In September 1988, the Department entered a cooperative agreement with the State of Illinois to conduct the Competitive Vendor Selection Pilot Project. Competitive vendor selection is intended to bring the competitive market forces into play to reduce the average WIC food package cost in a retail distribution system. This means having vendors submit price bids and selecting the lowest bidders to be WIC vendors while rejecting the bids of higher priced vendors. Key to this approach is conducting the competition under established State rules for competitive procurements. The project's goal is to reduce the average food cost in selected geographical areas in the State. The Federal contribution for this project is $190,000. Due to difficulties encountered by Illinois, the Department is considering whether to continue this project.

WIC Vendor Issues Study.—The purpose of this study is to examine the prevalence and magnitude of vendor fraud and abuse in the WIC Program. A national estimate of vendor abuse will be established through compliance buys from a nationally representative sample of WIC vendors. This estimate will serve as a national baseline from which to assess the effectiveness of WIC State agencies' actions in curbing the potential vendor abuse problem. This project is estimated to cost approximately $1.2 million. Its estimated completion date is July 31, 1991.

Vendor Activity Monitoring Profile.—The Food Delivery System regulations will propose criteria to identify vendors as high risk and require that State agencies report the outcome of investigations for vendors. This data will be provided through the Vendor Activity Monitoring Profile. State agencies will report on an annual basis the outcome of all vendors that received compliance buys each fiscal year. For those vendors found overcharging the program, or committing other violations, the State agency will indicate actions taken to sanction the vendor, including disqualification from the WIC Program. The Department will assess the effectiveness of various State agency systems used to detect abuse and take action against abusive vendors through analysis of the Profile data. This project is being conducted by Department staff. However, the Department has hired an outside firm to develop a simple data entry program to facilitate State agency efforts in reporting this data via personal computers. The cost of this project is $65,000 and it should be completed by April 1990.

State Technical Assistance Reviews—STAR.—In Fiscal Year 1989, FNS convened a task force comprised of regional and headquarters staff to develop uniform management evaluation guidance for conducting targeted reviews of State and local agencies. The STAR guide divides WIC operations into 11 major areas. Regional office teams then review selected areas in specific State agencies based on management priorities and areas where operations are believed weak in that State agency. The FNS regional offices will forward their results to headquarters annually where this information will be analyzed for trends. This project is being conducted with FNS staff.

WIC ADMINISTRATIVE COST STUDIES

Mr. WHITTEN. Provide a brief summary of the two WIC administrative cost reports that were issued in Fiscal Year 1989.

Mrs. NELSEN. The first report, "Synthesis of Case Study Findings in the WIC Program," used 16 case studies to examine the factors that affect local expenditures of WIC administrative resources. This study found substantial variation in the administration of local WIC services and in local WIC operating costs. In the agencies studied, actual operating costs ranged from $6.34 per casemonth to $15.58 per casemonth. Key factors that related to overall operating costs in WIC included caseload size, time spent on task, the proportion of task time spent by the Competent Professional Authority, and wage rates when they are extremely high or low.

This report also found that all of the local WIC agencies in the study received some in-kind or cash contributions from sponsoring agencies or other local sources. Across the agencies, WIC funds comprised 65 percent and contributions comprised 35 percent of total WIC operating costs. The agencies averaged $6.38 per casemonth in WIC funds and $3.43 in contributions for an average operating cost of $9.81 per casemonth.

The second report, "Study of Funding for Nutrition Services and Program Administration in the WIC Program," examined the expected appropriateness of the 20 percent of the WIC Program funds reserved for nutrition services and program administration and the potential impact from food cost savings. The simulation conducted as part of the study showed that almost 800,000 participants could be added to the WIC Program if infant formula rebates were implemented nationwide. However, the administrative grant per participant would fall about 20 percent as a result of the administrative grant being stretched over the larger caseload. The findings from this study were taken into consideration during development of the changes to WIC administrative and nutrition service funding contained in Public Law 101-147.

COMPETITIVE VENDOR SELECTION

Mr. WHITTEN. What are the results of the demonstration project in Illinois requiring vendors to compete for WIC business based on prices offered?

Mrs. NELSEN. The Illinois WIC Competitive Vendor Selection Pilot Project was successful in developing a request for bids and obtaining bid prices lower than the prevailing average. Most vendors not selected appealed the decision, and implementation has been delayed by Illinois' protracted appeals procedure. The pilot project may be abandoned since the bid prices may expire before the appeals can be settled.

The fundamentally sound concept of increasing vendor competition to reduce WIC costs is still being pursued. The lessons learned in Illinois have been shared with Delaware, where a similar competitive bid price approach is now being attempted. In addition, the activity in Illinois has facilitated passage of a new Illinois WIC vendor management statute which will provide for expeditious resolution of future vendor appeals.

WIC/FSP COOPERATION

Mr. WHITTEN. What benefits have resulted from the WIC/FSP Agreement to foster greater coordination and cooperation between WIC State agencies and FNS?

Mrs. NELSEN. All WIC State agencies except one have executed vendor information sharing agreements with FNS regional offices, which manage retailers in the FSP. These agreements have established a formal ongoing mechanism which enables WIC State agency vendor managers and FSP retailer staff at the headquarters, regional, and field office levels to share information on vendors who have been disqualified from one or the other program and information which will assist in the identification of high-risk vendors. Through the agreements, WIC and FSP authorities can also coordinate investigative activities. Although the terms of these agreements may vary slightly from State to State, they have facilitated a relatively uniform level of inter-program coordination nationwide. The Department intends, through the regulatory process, to further support the coordination facilitated by these agreements.

WIC VENDOR FRAUD STUDY

Mr. WHITTEN. Has USDA completed its planned study of vendor fraud in the WIC Program?

Mrs. NELSEN. No, the WIC Vendor Issues study, now underway, will examine vendor fraud nationwide. The first phase of the study, which focuses only on design and analysis issues—not data collection—is nearing completion. The estimated completion date of this study is July 31, 1991.

WIC MANAGEMENT IMPROVEMENT

Mr. WHITTEN. The conference report on the Fiscal Year 1989 Appropriations for Rural Development, Agriculture, and Related Agencies directed the Department to issue regulations on management improvements. What is the status of these regulations?

Mrs. NELSEN. The Department is addressing WIC Program management improvements through two proposed rulemakings. First, a proposed rulemaking to strengthen vendor management and improve State and local agency food instrument accountability has entered into formal clearance. This proposal would mandate certain procedures by which State agencies must manage vendors to control fraud and abuse. Other program management areas addressed by this rulemaking include prevention and detection of dual participation, sanctions for participant abuse, food instrument security and reconciliation, and State agency management evaluation requirements.

Second, a proposed rulemaking which addresses a variety of program management concerns is in the final stages of development and will enter formal clearance shortly. This rulemaking would increase State agency flexibility in program management in the areas of participant information sharing and medical data requirements for certification. In addition, the proposal would strengthen nutrition education, as well as facilitate the certification process.

INFANT FORMULA REBATES

Mr. Whitten. For the record, please provide a table showing, by State, the actual rebate savings for Fiscal Year 1989 and estimates for Fiscal Years 1990 and 1991.

Mrs. Nelsen. I will provide a table for the record that shows the actual rebate savings for Fiscal Year 1989. These rebate savings are not final for Fiscal Year 1989. The total actual rebate savings for Fiscal Year 1989, as reported to date, is $278,826,773. The estimated total rebate savings for Fiscal Year 1990 are $450 million and $500 million for Fiscal Year 1991.

[The information follows:]

WIC PROGRAM - REBATE SAVINGS FOR FY 89

STATE AGENCY	ACTUAL REBATE SAVINGS FOR FISCAL YEAR 89
NERO	
CONNECTICUT	$1,262,322
MAINE	473,475
MASSACHUSETTS	3,288,141
NEW HAMPSHIRE	140,839
NEW YORK	21,773,310
RHODE ISLAND	371,395
VERMONT	0
INDIAN TOWNSHP	0
PLEASANT POINT	0
PENOBSCOT	0
SENECA NATION	1,206
SUBTOTAL	27,310,688
MARO	
DELAWARE	438,859
DIST COLUMBIA	752,410
MARYLAND	2,040,706
NEW JERSEY	6,008,263
PENNSYLVANIA	16,219,190
PUERTO RICO	0
VIRGINIA	3,710,931
VIRGIN ISLANDS	0
WEST VIRGINIA	798,938
SUBTOTAL	29,969,297
SERO	
ALABAMA	10,623,102
FLORIDA	19,122,903
GEORGIA	14,672,485
KENTUCKY	6,485,780
MISSISSIPPI	0
N CAROLINA	10,357,387
S CAROLINA	2,054,624
TENNESSEE	10,095,200
SEMINOLES	0
MICCOSUKEE	0
CHOCTAW, MS	0
E. CHEROKEE	0
SUBTOTAL	73,411,481

WIC PROGRAM - REBATE SAVINGS FOR FY 89

STATE AGENCY	ACTUAL REBATE SAVINGS FOR FISCAL YEAR 89
MWRO	
ILLINOIS	6,176,714
INDIANA	6,213,244
MICHIGAN	7,300,856
MINNESOTA	4,590,046
OHIO	0
WISCONSIN	4,343,363
SUBTOTAL	28,624,223
SWRO	
ARKANSAS	5,728,739
LOUISIANA	5,596,606
NEW MEXICO	2,252,491
OKLAHOMA	2,424,571
TEXAS	31,001,454
ACL, NM	0
8N PUEBLO	0
ISLETA	0
SANTO DOMINGO	0
5 SANDOVAL	0
SAN FELIPE	0
WCD, ENT	0
CHOCTAW, OK	0
CHEROKEE	85,016
CHICKASAW	0
TONKAWA	0
POTAWATOMI	0
ZUNI	0
ITC	0
SUBTOTAL	47,088,877
MPRO	
COLORADO	3,315,715
IOWA	2,342,777
KANSAS	1,372,567
MISSOURI	8,318,864
MONTANA	137,974
NEBRASKA	0
NORTH DAKOTA	806,250
SOUTH DAKOTA	854,845
UTAH	0
WYOMING	333,066
SHOSH/ARA	6,210
UTE MTN	1,127
WINNEBAGO	0
CHEYENNE RIVER	0
ROSEBUD	0
STANDING ROCK	0
FT BERTHOLD	0
SUBTOTAL	17,489,395

WIC PROGRAM - REBATE SAVINGS FOR FY 89

STATE AGENCY	ACTUAL REBATE SAVINGS FOR FISCAL YEAR 89
WRO	
ALASKA	0
ARIZONA	437,158
CALIFORNIA	48,196,268
GUAM	0
HAWAII	0
IDAHO	0
NEVADA	1,285,029
OREGON	2,355,996
WASHINGTON	2,449,422
ITCN	0
MANNILAQ	0
NAVAJO NATION	0
ITCA	208,939
SUBTOTAL	54,932,812
NATIONAL	$278,826,773

Rebate savings are based on the WI-120 report dated 2/20/90. This report does not include final rebate amounts for the entire fiscal year.

Mr. WHITTEN. Also, provide a table of total rebate savings each year since the programs started and how many additional participants were served by these savings.

[The information follows:]

	Rebate savings (millions)	Additional participants (per month)
Fiscal year:		
1988 [1]	$33	83,000
1989	279	629,000

[1] Fifteen States had rebates during fiscal year 1988.

WIC PROGRAM COSTS

Mr. WHITTEN. Please provide a table showing the average cost per month for the WIC Program food packages for women, infants and children for the past 5 years and the estimated cost for Fiscal Years 1990 and 1991.

Mrs. NELSEN. I will provide a table that shows the average food cost per month for women, infants and children for Fiscal Years 1985-1989. The estimated average food cost for Fiscal Year 1990 is $28.80 and for Fiscal Year 1991 it is $29.41.

[The information follows:]

AVERAGE FOOD PACKAGE COST PER PERSON, FISCAL YEARS 1985-89

	1985	1986	1987	1988	1989
October	$31.42	$31.52	$31.79	$33.17	$31.96
November	31.17	31.54	31.91	33.27	32.07
December	31.49	31.46	32.37	33.33	32.36
January	31.81	31.81	32.74	33.56	30.87
February	31.72	31.78	32.52	33.66	29.95
March	31.87	32.02	32.75	33.98	29.74
April	31.96	31.98	32.98	34.00	29.80
May	31.95	32.06	32.96	33.32	29.15
June	31.84	31.76	32.90	33.22	29.23
July	31.84	31.88	32.81	32.80	29.16
August	31.77	32.11	32.99	32.29	29.54
September	31.37	31.74	33.38	32.87	29.65
Annual average	31.69	31.82	32.68	33.28	30.24

WIC BUDGET ESTIMATE

Mr. WHITTEN. According to the notes an increase of $89,290,000 is necessary to maintain the Fiscal Year 1990 level for WIC in Fiscal Year 1991. Please provide the Committee with details of the assumptions used for each program to arrive at this estimate.

Mrs. NELSEN. The budget request for WIC in Fiscal Year 1991 was calculated by inflating the Fiscal Year 1990 appropriation by the GNP deflator—4.20 percent—to account for the effects of inflation in the food package costs. The budget request also took into account the anticipated expansion of participation due to infant formula rebates.

WIC STUDIES

Mr. WHITTEN. Are any new WIC program studies planned for Fiscal Years 1990 and 1991 in addition to those listed in last year's hearing record? If so, please update the list.

Mrs. NELSEN. The Department plans to implement three new WIC Program studies for Fiscal Year 1990. They are a study of WIC Program dynamics and impacts due to rapid growth, a series of analyses and modeling projects to inform policy and administrative decisions, and a methodological study of dietary assessment techniques for the program. Initial planning for Fiscal Year 1991 studies is currently underway but decisions on the plan will not be made until this summer. I will include for the record an updated list of current ongoing and planned Fiscal Year 1990 WIC studies.

[The information follows:]

Ongoing WIC Program Studies	Amount Obligated Through FY 89
WIC Participant and Program Characteristics--PC-88 The purpose of this study is to collect data for the 1988 report to Congress and to develop the system by which FNS and State and local WIC agencies will generate the future congressionally mandated biennial reports on WIC participant and program characteristics. Estimated completion date is April, 1990.	$1,370,385
WIC Participant and Program Characteristics 1990-1992 This study responds to the congressional requirement--Public Law 99-500--for biennial descriptions of State and local agencies operating the WIC Program and a national description of persons served by the WIC Program. Estimated completion dates: 1990 Survey - 1991; 1992 Survey - 1993.	$340,000
WIC Benefit Targeting Study This study will identify current practices used	$591,273

to target WIC benefits; demonstrate a variety of practices in selected sites to evaluate the transferability, feasibility and effectiveness of these practices; and develop materials on the practices for dissemination to State and local agencies. Estimated completion date is April, 1990.

WIC Farmers Market Evaluation The purpose of this study is to assess how well the mandated WIC Farmers Market Demonstrations provide resources to WIC participants in the form of fresh unprepared foods--such as fruits and vegetables--from farmers' markets; and to expand overall awareness and use of farmers' markets. The evaluation will also review the financial management and accountability of the projects. Estimated completion date is April 1991.	$88,309
Wayne County Smoking Cessation Projects These projects will assess the effectiveness of two different smoking reduction programs directed at low-income women of childbearing age and will examine the relative costs and benefits of the programs to the county health department. Estimated completion date is June, 1990.	$315,430
Illinois WIC Competitive Vendor Selection Pilot Project The objectives of this study are to develop, test and evaluate a competitive selection system of vendor management in the WIC Program. This project will also train FNS and WIC State agency staff in competitive selection vendor management methodology. Project currently on hold pending legal appeals by vendors.	$190,748
WIC Vendor Issues Study This study seeks to estimate, on a national basis, the extent and nature of vendor abuse in the WIC Program and the relationship between State vendor operations and detected vendor abuse. Study findings will provide the Agency with information to facilitate efficient vendor management in WIC. Estimated completion date is October, 1991.	$112,251
WIC Child Impact Study: Field Test This study will simultaneously field test two research designs to study the impact of WIC on infants and children. In addition to testing the designs, this effort will test data collection measures and procedures, and obtain preliminary data on the effects of WIC on children. Data from the field test will be used in deciding how to proceed with the implementation of a larger-scale	$652,151

WIC Child Impact Study. Estimated completion date is October, 1991.

WIC Vendor Management Study This project will identify and describe current vendor management practices in 48 States and the District of Columbia. Estimated completion date is August, 1990.	$749,405
WIC Income Verification Study The purpose of this study is two-fold: to identify and analyze current WIC income certification procedures; and to determine the national WIC income misreporting rate based on primary data collection. Estimated completion date is April, 1990.	$972,593
1988 National Maternal and Infant Health Survey and 1990 Longitudinal Follow-up FNS is one of several co-sponsors of this survey, which will allow us to look at WIC in the context of other health and medical information such as low birthweight status and infant mortality. The 1988 survey and the 1990 follow-up are being conducted by the National Center for Health Statistics. Estimated completion dates: 1988 Survey - mid 1991; 1990 Survey - mid 1992.	$350,000
Centers for Disease Control Smoking Cessation Project The Smoking Cessation in Pregnancy Project is a cooperative effort of FNS and the Centers for Disease Control to demonstrate the effectiveness of WIC and prenatal clinic smoking cessations in three States--Colorado, Missouri, and Maryland. Estimated completion date is September, 1991.	$800,000
WIC Analytic Research Projects The general objective of this study is to conduct analyses using extant data bases that may be useful in improving policy and/or program operations. The study is intended to expand present knowledge about program and participant characteristics and the effectiveness of the WIC Program. This contract ends in June, 1990.	$721,276
WIC Medicaid Cost/Benefit Study Congress has directed the Secretary of Agriculture to conduct a study of the savings of State and Federal Medicaid costs and other publicly-financed medical costs for newborn infants and their mothers during the first 60 days after birth as a consequence of the mother's WIC participation. Five States have agreed to participate in the study. Estimated completion date is October, 1990.	$1,029,035

WIC Breastfeeding Promotion Study & Demonstration The objectives of this study are to identify effective breastfeeding promotion strategies and evaluate their potential use in the WIC Program; demonstrate breastfeeding education and promotion models in selected WIC sites; and provide technical assistance to State and local WIC agencies on effective breastfeeding promotion models. Estimated completion date is July, 1990.	$569,385
Study of Appropriate Methods for Drug Abuse Education in WIC This congressionally mandated study seeks to identify appropriate methods of drug abuse education for WIC participants to inform the Department in response to WIC's drug abuse information and referral responsibilities. Estimated completion date is September, 1990.	$125,435

New WIC Program Studies

WIC Program Dynamics and Impacts The objectives of this study are to determine the effects of a period of rapid growth on WIC service delivery operations and to assess the impact of increased participation on the Program's integration and coordination with local health care delivery systems.	To Be Awarded
WIC Modeling and Analytic Research Projects (MAP) This study uses extant data to perform analyses relevant to the WIC Program and its participants in areas that may be useful for informing policy and/or program administration decisions. Analyses undertaken will expand the base of knowledge for WIC research by using recently and soon to be available nationally representative data bases and re-examining data bases and methodologies that have been used for previous WIC research.	To Be Awarded
WIC Dietary Assessment Study This study would develop improved methodologies for conducting WIC dietary assessments, which would be made available for all States to use at their option. This study would also encompass a review of current State practices for dietary risk assessment.	To Be Awarded

FOOD STAMP PROGRAM SUPPLEMENTAL APPROPRIATION

Mr. **Whitten**. Since the supplemental appropriation estimates of $375,000,000 and $510,000,000 were presented, have you been able to more accurately determine the need?

Mrs. **Nelsen**. At this time, we have preliminary data from the States only through February. We must rely on projections for over half the fiscal year, a time period in which the program has typically had a downturn in participation. However, we have not seen traditional seasonal patterns of participation in the past year. This may mean that there are underlying changes in participation behavior which would increase the uncertainty in our estimates.

Even relatively small changes in participation can change estimated costs substantially in a program the size of the Food Stamp Program—FSP. An increase in participation of less than 1 percent can cause program costs to grow by over $100 million. Thus, because of the uncertainty regarding future FSP participation, we are unable to be more specific at this time.

Mr. **Whitten**. The Secretary testified that the reason for this problem is a result of inadequacies in the models used to estimate participation. Were these models used in preparing your budget estimates for Fiscal Year 1991? If so, does your request adequately reflect the problem of participation so there will not be a need for a supplemental in 1991?

Mrs. **Nelsen**. The statistical model that was used to predict Fiscal Year 1991 participation is the same model that has been in use for several years. In making our projection at the time the budget was prepared, we assumed that participation would, to some extent, return to more traditional patterns of seasonality. The continuation of higher than expected participation levels in 1990 will require that we closely monitor the potential impact on 1991 funding needs.

We have requested that Congress provide a base appropriation of $15.5 billion, and a $500 million "cushion" above that level for unanticipated benefit expenses in Fiscal Year 1991. We are monitoring program cost reports carefully but it is difficult to provide a precise estimate at this time. For this reason, we have requested indefinite spending authority for the last 2 months of Fiscal Year 1991 in order to assure payment of benefits as required by law. We will formally review all of the available data which may affect the cost of the FSP next year as part of the July mid-session review.

We have sponsored an independent assessment of our estimation procedures for FSP costs. This effort is designed to measure the performance of existing approaches and recommend alternatives if improvements are possible. We expect to complete the review later this year.

FOOD STAMP PARTICIPATION VS. UNEMPLOYMENT

Mr. **Whitten**. Please provide the Committee with a chart showing the rate of unemployment vs. the number of food stamp participants over the past ten years.

[The information follows:]

HISTORICAL FOOD STAMP PROGRAM DATA—ANNUAL AVERAGE NATIONAL PARTICIPATION AND UNEMPLOYMENT RATE

[Fiscal year 1980–Fiscal year 1989]

	Food stamp participation	National unemployment rate (percent)
Fiscal year:		
1980	21,082,011	6.81
1981	22,429,574	7.40
1982	21,717,398	9.11
1983	21,624,639	10.12
1984	20,853,631	7.83
1985	19,899,052	7.25
1986	19,429,101	7.05
1987	19,113,938	6.43
1988	18,645,291	5.63
1989	18,821,000	5.25

FOOD STAMP PROGRAM APPROPRIATION LANGUAGE

Mr. WHITTEN. You propose to delete a provision in the language that relates to curtailing fraud, waste and abuse in the program. Please provide an explanation for such a deletion.

Mrs. NELSEN. First, let me assure you that the Secretary and FNS remain fully committed to aggressive efforts to reduce Federal costs through improving program management and decreasing the instances of error, fraud, waste and abuse in the program.

This proposed deletion of past appropriation language is meant only as a technical revision, not a lessening of vigilance on our part. The language in the current law makes a portion of the appropriation—$345 million—available only after the Secretary has employed the regulatory and administrative methods available to him under the law to curtail fraud, waste and abuse in the program. Since enactment of this provision in 1988, these requirements have been fully addressed, and all Food Stamp Program funds have been apportioned each year.

INCENTIVE PAYMENTS TO STATES

Mr. WHITTEN. According to your budget justification, you've included an additional $8.0 million for incentive payments to States. Please tell the committee on what basis you arrived at this amount.

Mrs. NELSEN. The Hunger Prevention Act of 1988 made it easier for States to qualify for incentive payments for low error rates. States whose combined overpayment and underpayment error rates are below 6 percent and whose rate of improper denials and terminations is below the national average now qualify for those incentives. Based on our expectations for continued improvement in the error rate, we expect eight States to qualify for approximatley $8 million in enhanced payments based on their performance in Fiscal Year 1990.

PROPOSED LEGISLATION EMPLOYMENT AND TRAINING

Mr. **Whitten**. You're proposing to limit payments to States for matching costs of employment and training programs to $12.50 per participant and, yet, you are requesting an increase of $4,016,000 for this program. What impact will the limitation have on States?

Mrs. **Nelsen**. The Federal match for operational expenses above the $75 million basic grant is the only unlimited authorization for work program funding. Other funding for Employment and Training is limited either through a per-person cap or through a set authorization level. Similarly, both the Job Opportunities and Basic Skills Training Program and the Job Training Partnership Act have fixed authorization levels. We are concerned that some Federal funds are being used to supplant existing State efforts. By limiting the Federal match, the proposal will help protect the Federal government against extremely high administrative costs.

States will still be able to offer a range of services to participants, using basic grant money, Federal matching funds, or their own monies. The cap will encourage States to think carefully about the services they offer and target them where they might do the most good. The cap will affect approximately 16 States, based on those which spent more than $12.50 per participant per month in 1989, and would save $20 million.

RESEARCH AND EVALUATION

Mr. **Whitten**. Included in your net increase of $5,457,000 for Other Program Costs is $1,408,000 for research, evaluation, and demonstration projects. Please provide a breakdown by activity of this proposed increase.

Mrs. **Nelsen**. Over the last 10 years, the funding availability for research and evaluation in the Food Stamp Program has fallen by more than half after accounting for the effects of inflation. In recent years, the number and complexity of evaluations specifically mandated by Congress and initiated through general demonstration authority have increased substantially. These include major evaluations of the effectiveness of employment and training programs, electronic benefit transfer systems, and State-initiated welfare reforms.

The increase in funding—while not yet earmarked for particular projects—will permit these efforts to continue, allow us to respond to new issues as they emerge, and enable us to anticipate future information needs. One such new initiative is to assess alternative ways to reach out to the homeless with information, assistance and other services that may facilitate their participation in the Food Stamp Program.

EBT DEMONSTRATION PROJECTS

Mr. **Whitten**. Please describe in some detail the demonstration projects being performed in three States utilizing electronic benefit transfer at point of sale. Include cost of each project, completion date, and projected cost savings.

Mrs. **Nelsen**. There are currently three projects under development in responses to FNS' Request for Applications. These projects are in New Mexico, Washington, and Ramsey County, Minnesota.

The New Mexico project includes the Food Stamp and Aid to Families with Dependent Children—AFDC—Programs. New Mexico anticipates that in the near future the Child Support Program will be incorporated into this project. The pilot project area is currently Bernalillo County—Albuquerque. FNS has authorized $338,651 at 100 percent Federal funding for design, development, and implementation. FNS may, at its discretion, reimburse 50 percent of any additional costs for design, development, and implementation. Operational costs will be reimbursed at 50 percent Federal matching capped at a level equivalent to Federal costs associated with current coupon issuance systems. The project is currently in the design phase. Implementation is scheduled for summer 1990. Operations are scheduled to run for up to 3 years.

The Washington project includes food stamps, AFDC, Family Independence Program, General Assistance, and Refugee Assistance, Aged, Blind, Disabled Cash Assistance, AFDC Child Support passthrough, and Medical Assistance Program eligibility verification. The pilot project area is currently Thurston County and most of Pierce County. FNS has authorized $184,500 at 100 percent Federal funding and up to $670,977 at 50 percent Federal funding for design, development, and implementation. Operational costs will be funded at the normal 50/50 match rate but the Federal share will be capped at a level equivalent to current Federal coupon issuance costs. The project is in the development phase. The project is scheduled to begin July 1, 1990. Operations are scheduled to run for up to 3 years.

Ramsey County, Minnesota already provides cash benefits through an Electronic Benefit Transfer—EBT—system in its AFDC, Refugee Assistance, and General Assistance Programs. The existing system will be expanded to include food stamps. FNS has authorized $385,309 at 100 percent Federal funding for design, development, and implementation. Additional costs for design, development, and implementation may be reimbursed at 50 percent Federal matching at FNS' discretion. Operational costs will be reimbursed at 50/50 Federal matching capped at the level equivalent to current Federal coupon issuance costs. The project is currently in the development phase. Implementation is scheduled for July 1, 1990. Operations are scheduled to run for up to 3 years.

The extent to which EBT may lower or raise costs is not yet known and will be one of the major focuses of the evaluations being conducted of these systems. EBT offers recipients, retailers, financial institutions and the government substantial advantages over the coupon system in terms of convenience and security. Our fiscal goal is to ensure that EBT does not cost more than the coupon system. These projects aim at reducing the cost of EBT to the Food Stamp Program by sharing these costs with other public assistance programs.

Mr. WHITTEN. Are there any plans for expanded EBT pilot projects?

Mrs. NELSEN. Current State plans for the demonstration project in Maryland calls for eventual Statewide expansion of EBT operations. In addition, we are reviewing a proposal from Pennsylvania to expand its system to several additional counties.

Expansion will depend on the success of these pilots. We are also in the process of reviewing applications for EBT demonstration authority from two other jurisdictions and anticipate receipt of additional applications.

Mr. **Whitten**. The State of Arizona withdrew from this project this year. How much funding was provided to Arizona prior to their withdrawal?

Mrs. **Nelsen**. No funding was provided to Arizona prior to their withdrawal in July 1989. The Arizona State agency did not submit a Request for Advance or Reimbursement until January 31, 1990, and we are awaiting additional supporting data from the State agency in order to authorize payment.

Mr. **Whitten**. Why did they withdraw?

Mrs. **Nelsen**. The State of Arizona withdrew from the Electronic Benefit Transfer Demonstration Project due to a lack of State appropriations for State Fiscal Years 1989 through 1990.

ERROR LIABILITY COLLECTIONS

Mr. **Whitten**. For the record, please provide a ten-year table showing the amounts claimed in the budget justification for error liability collections and the amount actually collected.

Mrs. **Nelsen**. Our collection of error liabilities in the Food Stamp Program over the past ten years has totalled $2,836,662. I will provide for the record a year by year breakdown.

[The information follows:]

	Estimated collections	Cash collections
Fiscal year:		
1981		
1982		
1983		
1984		$976,025
1985		
1986	$138,718,000	
1987	169,139,000	41,617
1988	233,000,000	114,000
1989	162,000,000	1,502,592
1990 (to date)	101,000,000	202,428
Total		2,836,662

In addition to these actual cash collections, an additional $1,944,901 is due within the next 2 years from five States based on out of court settlement agreements. The portions of these settlement agreements that have already been paid are included in the year by year amounts shown above.

Mr. **Whitten**. Once again your budget for the Food Stamp Program includes a decrease because of collections from states due to error liabilities. History has shown us that these amounts have never been collected. What evidence do you have that this year will be different from past years in that these collections will actually be made?

Mrs. **Nelsen**. Based on history, our expectations to collect $100 million are ambitious, but achievable. The Department is fully committed to pursue our collection efforts within the authority given by the Food Stamp Act. Moreover, we believe that it is important to send a strong signal to the States that the USDA will pursue vigorously any outstanding claims for high error rates. In fairness to States which have paid their debt, we must pursue outstanding claims.

RETAILER DISQUALIFICATIONS

Mr. WHITTEN. For Fiscal Year 1989, how many retailer firms were disqualified from the Food Stamp Program?

Mrs. NELSEN. In Fiscal Year 1989, there were 2,252 retail firms disqualified from the Food Stamp Program. In addition, the Food and Nutrition Service imposed monetary penalties against 296 retail firms, totalling $954,428. These monetary penalties were imposed in lieu of a specified period of disqualification when a firm's disqualification would have caused hardship to food stamp recipients in the area.

REDEMPTION SYSTEM PILOT PROJECT

Mr. WHITTEN. What were the results of the Dallas-Memphis Federal Reserve Banks pilot project in pursuit of alternative solutions for the redesign of the food coupon redemption and reconciliation system?

Mrs. NELSEN. The pilot test of the food coupon redemption and reconciliation system redesign was conducted in the Dallas and Memphis Federal Reserve zones from September 1988 to March 1989. The pilot test was evaluated by FNS and the Federal Reserve. The test resulted in major improvements in the accountability and efficiency of the redemption process and accomplished all of FNS' objectives for the system redesign. The USDA Office of Inspector General audited the pilot test and also concluded that the pilot procedures resulted in improved accountability, reconciliation and managment control over food stamp redemptions. Due to the success of the pilot operation, the Federal Reserve and the Department of Agriculture have committed to implement the system redesign on a national basis. The Federal Reserve and the Department are proceeding with actions for full system implementation early in Fiscal Year 1991.

Mr. WHITTEN. A second pilot based on check processing is scheduled to be implemented during Fiscal Year 1990. What is the status of this project?

Mrs. NELSEN. The Federal Reserve and the Department developed two redesign models for the food coupon redemption and reconciliation system. One alternative combined Federal Reserve check processing and currency operations and was tested successfully in Fiscal Year 1989 in the Dallas and Memphis Federal Reserve zones. The second alternative would use Federal Reserve check processing operations exclusively for all food coupon activities. Due to the success of the Dallas and Memphis pilot test and the projected high costs of the pure check processing alternative, the Department has determined not to proceed with further development or testing of the pure check processing alternative. The Federal Reserve and the Department are proceeding with actions to implement the procedures of the Dallas-Memphis pilot nationwide.

APPLICATIONS FOR FOOD STAMPS

Mr. **Whitten**. Please update the chart that appeared on page 457 of last year's hearing record to include Fiscal Year 1988.

[The information follows:]

	Total applications	Applications approved	Percent	Applications denied	Percent
Fiscal year:					
1984	14,652,716	11,777,088	80.4	2,875,658	19.6
1985	12,203,929	9,783,197	80.2	2,420,732	19.8
1986	13,081,316	10,309,541	78.8	2,771,775	21.2
1987	8,867,212	6,812,615	76.8	2,054,597	23.2
1988	7,311,455	5,362,091	73.3	1,949,364	26.7

Note.—Fiscal year 1988 was the first full year of use for the revised FNS 366-B form from which this data was extracted. Although many States have reprogrammed their computers to accommodate the changes required by the new form, not all States have completed this task. Therefore, as in fiscal year 1987, some inconsistencies in the collection and reporting procedures from State to State are reflected in the fiscal year 1988 data.

FSP ADMINISTRATIVE COSTS

Mr. **Whitten**. Over the years, budgets have shown that administrative costs of running the Food Stamp Program have increased. This past year, the OIG completed a series of audits of claims for reimbursement for State administrative costs and identified over $12 million in overcharges and potential savings. What are you doing as a result of these findings?

Mrs. **Nelsen**. The Food and Nutrition Service routinely performs reviews of the costs claimed for reimbursement of Food Stamp Program administrative expenses. Based on the results from such reviews, the Food and Nutrition Service referred several of the States included in the audit to the Inspector General for a formal audit of administrative cost claims. FNS has reviewed and validated the potential overcharges and savings projected by the OIG for each State included in the audit. As a result, the Agency has issued billings totaling over $8 million to the ten States reviewed. In addition, FNS has issued and is using standard review procedures, the FNS Expenditure Validation Review Guide, to strengthen the Agency's efforts in the review of program administrative cost claims.

PROPOSED LEGISLATION CHILD SUPPORT ENFORCEMENT

Mr. **Whitten**. Please describe in some detail the Department's proposal to require food stamp participants to work with child support enforcement agencies to improve a family's economic well-being.

Mrs. **Nelsen**. The Department's proposal would require food stamp households with absent parents to cooperate with the State agency administering the Child Support Enforcement Program in locating absent parents, establishing paternity, if necessary, and securing and enforcing child support orders. Certification for the Food Stamp Program and issuance of benefits would not be delayed as a result of this requirement. At application, a household would sign a statement indicating willingness to cooperate with Child

Support Enforcement requirements. While food stamp applicants or participants that fail to cooperate with Child Support Enforcement agencies would be ineligible, their children would remain eligible for benefits.

The Department would develop a good cause exception in regulations for refusal to cooperate. At a minimum, these would include exceptions in documented cases of abuse, rape, or incest. Our objective would be to strike a balance between program requirements and the best interests of the parent and children. Food stamp applicants/participants would not be subject to the fee of up to $25 that can currently be charged individuals who are not participating in the Aid to Families with Dependent Children Program. The AFDC program already requires recipient households to cooperate with Child Support Enforcement agencies.

The proposal would also require food stamp State agencies to furnish Child Support Enforcement agencies with the information provided by food stamp applicants that is needed to establish and enforce child support rights.

We estimate that implementation of this proposal would increase affected family incomes by about $165 million in Fiscal Year 1991.

FOOD STAMP TRAFFICKING

Mr. WHITTEN. The OIG has uncovered the trafficking of food stamps to purchase illegal drugs. Do you have any plans of action to address this problem?

Mrs. NELSEN. Trafficking in food stamps allows benefit dollars to be diverted from food assistance and undermines public confidence in the program. We will not tolerate this abuse. Our Farm Bill proposals to enhance Food Stamp Program integrity aim at reducing trafficking by increasing penalties, tightening the store authorization process, denying authorization to types of stores most likely to violate program rules, and promoting the use of more secure benefit delivery systems. I will submit a list of specific proposals for the record.

[The information follows:]

Authorize State agencies to use Electronic Benefit Transfer—EBT—technology in lieu of food stamps to deliver benefits. Criteria would be established in regulations to assure cost effectiveness and orderly implementation. EBT systems reduce opportunities to divert benefits, thereby helping to ensure that food stamp dollars are actually spent for food for needy families.

Clarify that fraud involving EBT system benefits is subject to the same penalties as fraudulent abuse of food stamps or authorization cards used to obtain benefits.

Permanently disqualify stores which accept food stamps for illegal drugs or firearms, without the option of levying a civil money penalty.

Require jail sentences of 2 to 15 years and fines up to $20,000 for first offenses using food stamps to buy illegal drugs, ammunition, exploeives, or firearms or for illegally possessing $1,000 or more in food stamps. For subsequent offenses, jail sentences could be extended to 20 years and fines up to $50,000. At the option of the judge, community service could be substituted for the first offense. This option would not be available for subsequent offenses.

Require all retailers to submit social security and employer identification numbers so that stores permanently disqualified for accepting food stamps for illegal drugs or firearms would remain out of the program.

Increase maximum fines to $20,000—from $10,000—per violation for stores that traffic in food stamps.

Institute fines for unauthorized third parties who traffic in food stamps or accept food stamps for illegal items.

Establish fines for authorized dealers that accept loose $5 and $10 food stamps, thus making it more difficult for them to be accepted from recipients by an unauthorized third party and later used to purchase food at authorized stores by the third party.

Prohibit firms which are primarily wholesalers from participating in the program as authorized retailers, thus restricting the negotiability of food stamps as a medium of exchange in illegal transactions. Some unauthorized retailers accept food stamps which they then use to buy stock for their shelves from wholesalers which are authorized because they have a small retail trade as part of their business.

Require retailers to be authorized biennially so that current data on authorized firms will be available. Such data can be used to identify potential violators, including traffickers.

Finally, increasing penalties and tightening requirements will not be enough. Enforcement efforts must also be increased. Therefore, we propose to establish a strike team of government investigators to expose those who abuse the program, increasing existing staff devoted to this effort.

NUTRITION ASSISTANCE PROGRAM

Mr. **Whitten**. For the record, please provide a 10-year table showing the number of participants in the Puerto Rico Nutrition Assistance program and the average monthly benefit to each.

[The information follows:]

	Participants	Monthly benefits	Benefits per person
Fiscal year:			
1982 [1]	1,660,000	$66,693,000	$40.18
1983	1,572,968	64,726,280	41.15
1984	1,525,027	64,845,585	42.52
1985	1,482,345	65,510,538	44.19
1986	1,475,421	65,531,728	44.42
1987	1,470,532	68,089,476	46.30
1988	1,449,123	70,183,017	48.43
1989	1,456,285	72,616,551	49.86
1990 [2]	1,480,845	72,891,548	49.22

[1] Puerto Rico's Nutrition Assistance Program began operation in July 1982. Only Fourth Quarter data is provided.

[2] Only First Quarter data is available.

INFORMATION RESOURCES MANAGEMENT PLAN

Mr. **Whitten**. Please provide the Committee with a copy of your Information Resources Management Plan.

Mrs. **Nelson**. I will provide a copy of the current Information Resources Management—IRM—Plan covering fiscal years 1990 through 1994 to the Committee. In addition, we will provide a report entitled "Software Renewal Program" dated February 20, 1990. The latter report explains IRM Plan Objective No. 3, Systems Development, which covers the redesign and modification of the Food and Nutrition Service's software systems.

[Clerks note.—The IRM plan was too voluminus to reprint and is retained in Committee files.]

Mr. **Whitten**. Also, provide a breakdown of this plan by program.

Mrs. **Nelson**. I will provide that for the record.

[The information follows:]

Automated Data Processing—ADP—Objective FNS-1, Office Automation—FNS-2, a portion of ADP Systems Development—FNS-3, Communications—FNS-4, and Advance Planning Document Support—FNS-5—are objectives which cut across program lines and support the administration of all FNS programs. For example, ADP

Hardware Purchases will provide the hardware needed to use the Food Stamp Program Systems, Special Nutrition Programs Systems and Financial Management Systems of the Agency. These initiatives will also pave the way for the Agency's long term goal of State connectivity and paperless reporting. The IRM Plan also includes development of the Integrated Financial Management Information System—IFMIS—and its integration with the other subsystems—Food Stamp Program and Special Nutrition Programs. IFMIS is funded as a separate budget line item.

Fiscal year 1991 marks the fourth year of systems development in the Food Stamp Integrated Information System with completion of the system scheduled for fiscal year 1992. This important system will improve the administration, accountability and integrity of the Food Stamp Program, including the large State Administrative Expense Program and the Coupon Redemption Account.

Special Nutrition Programs are specifically included under Objective FNS-3 ADP Systems and under FNS-6 Research, Evaluation Support.

Special Nutrition Programs systems development will be into its third year in fiscal year 1991, with completion of the major portions of the system scheduled for fiscal year 1993. As with the food stamp systems, these systems are critical for improving the administration accountability and integrity of the Special Nutrition Programs.

Mr. WHITTEN. What types of data reports are being generated by the improved system?

Mrs. NELSON. As portions of the new Food Stamp Integrated Information System are implemented, reports are being generated that greatly improve the accuracy of State program reporting and give our headquarters and regional staff the data needed to provide improved program oversight.

New reports will become available in 1991 to track food stamp coupon requisitions and inventory. The Agency also plans to develop, by 1992, the Food Stamp Redemption Activity Tracking and Food Stamp Store Participation Management Subsystems. These systems will provide a host of new reports to aid the Agency in administering the coupon redemption accountability and vendor management functions.

The Special Nutrition Programs Integrated Information System is scheduled to begin implementation in 1991 and will provide reports over the next several years comparable to those generated by the Food Stamp Integrated Information System.

All reports will come to the public via the National Data Bank, the Agency's corporate database, which extracts data from the Agency's program and financial systems.

FDPIR BUDGET REQUEST

Mr. WHITTEN. Your fiscal year 1991 budget request includes an increase of $14,481,000 for commodities in lieu of food stamps for the Food Donations Program on Indian Reservations [FDPIR] and the Pacific Islands. Provide a breakdown of this increase to show what portion is for increased participation, what portion is used to purchase commodities which were previously donated, what portion is for inflation, etc. Also, please provide a brief description of what improvements will be made to the basic food package.

Mrs. NELSON. Of the $14,481,000 increase requested in the budget for FDPIR, $2.1 million is due to the projected increase in participation, $10.7 million is for program food package improvements and the purchase of commodities which were previously donated and the balance of $1.7 million is due to inflation.

The proposed changes to the basic food package, determined through consultation with recipient agencies, will reduce fat, sugar and salt content, respond to special health needs of Indians, and comply with recipient agency food preferences.

I will provide for the record our specific proposed changes to the FDPIR food package.

[The information follows:]

Adjust the guide rate for cheese from 6 pounds to 5 pounds per person every three months.

Reduce the fat/oils groups per person per month by reducing each of the following from 3 pounds: shortening to 1½ pounds, butter to 2 pounds and oil to 1½ pounds.

Reduce issuance of 24 ounces corn syrup per person per month to 24 ounces per person every other month.

Reduce flour from 10 pounds to 5 pounds per person per month. Reduce hot cereals from 3 pounds to 1½ pounds per person per month, but increase the current choices of rolled oats and rolled wheat to also include farina.

Increase vegetables from 6 cans to 8 cans per person per month.

Increase canned fruits from 6 to 8 cans per person per month.

Increase rice from 1 pound to 2 pounds per person per month.

Increase potato flakes from ½ pound to 1 pound per person per month.

Offer quick cooking legumes to the package, such as split peas and lentils.

The Department is currently evaluating comments from the tribes on these proposed changes.

Mr. WHITTEN. For the record, please provide a 5-year table showing participation levels in the FDPIR program.

Mrs. NELSON. I will provide this information for the record.

[The information follows:]

FDPIR participation levels

Fiscal year:	*Average monthly participation (persons)*
1985	135,328
1986	144,949
1987	145,679
1988	136,707
1989	141,213

FDPIR PROGRAM OPERATIONS STUDY

Mr. WHITTEN. In response to a GAO study regarding the effectiveness of public and private programs in alleviating hunger and promoting the nutritional welfare of residents on Indian reservations, FNS initiated a study to provide descriptive information on FDPIR program operations and recipient households. Please provide the Committee with a cost breakdown, completion date and estimated savings to the program as a result of this study.

Mrs. NELSON. FNS anticipates that the final report of our evaluation of the Food Distribution Program on Indian Reservations will be released in May 1990. Our current estimate of the project's cost is about $740,000.

This comprehensive evaluation, which was planned independently of the GAO report on four Indian reservations, will provide nationally representative descriptive information on Indian households and program operations. Factors that contribute to program efficiency will be discussed in the final report. However, because the study findings are not currently available, we are not now able to provide estimates of program effects.

FDPIR PARTICIPATION

Mr. WHITTEN. Are there any new tribes requesting participation in FDPIR in fiscal year 1990?

Mrs. NELSON. There are currently no new tribes requesting to participate in the FDPIR for fiscal year 1990.

FDPIR REGULATIONS

Mr. WHITTEN. Has the Department published final regulations for the FDPIR yet?

Mrs. NELSON. Proposed regulations for FDPIR were published in October 1987. Because of the concerns raised as a result of the proposal, the Department does not intend to issue final regulations at this time. Rather, we intend to publish a reproposed regulation after we have compiled our study of the program.

FOOD DONATION PROGRAMS—EFFECTS OF SEQUESTRATION

Mr. WHITTEN. What impact to participation levels in the Food Donation Programs did the Gramm-Rudman-Hollings sequestration have?

Mrs. NELSON. Although funds have been reduced as a result of the Gramm-Rudman sequestration, lower than anticipated participation for the Nutrition Program for the Elderly will enable program objectives to be met within available funds.

However, for the Food Distribution Program on Indian Reservations, the loss of funds complicates the pressures on this account caused by the cost/availability of nonfat dry milk. We are closely monitoring the status of funds to ensure that program objectives are met within existing resources.

Also for Soup Kitchens, the Agency will purchase fewer commodities for distribution this fiscal year.

FDPIR BUDGET REQUEST

Mr. WHITTEN. Of the $74,841,000 requested for FDPIR, how much is proposed for the Free Associated States and Palau?

Mrs. NELSON. Of the total $74,841,000 requested in the budget for the Food Distribution Program on Indian Reservations, $488,000 is available for the Free Associated States and Palau.

FUNDING FOR MICRONESIA

Mr. WHITTEN. For the record, please provide a 5-year table showing funding resources allocated to Micronesia acitivities.

Mrs. NELSON. I will provide this information for the record.

[The information follows:]

FEDERATED STATES OF MICRONESIA
FNS FUNDING LEVELS
FISCAL YEARS 1985 TO 1989

DESCRIPTION	FY 1985 *	FY 1986 *	FY 1987	FY 1988	FY 1989
Meal Service	$4,465,823	$5,090,610	$1,071,049		
Nutrition Ed.	9,242	9,242	824		
State Admin	82,890	81,566	20,396		
Food Donations	***	***			
NPE	***	***			
NAP Block Grant			3,708,742	3,925,614	1,963,090
Total	$4,557,955	$5,181,418	$4,801,011	$3,925,614	$1,963,090

* FY 1985 and 1986 are estimates, using a proration of total expenditures for the Trust Territories. Prior to 1987, expenditures for Micronesia were not reported separately by the Trust Territory.

*** No data is available regarding payments to Micronesia for Food Donations and Nutrition Program for the Elderly in these Fiscal Years.

Commodity value for FY 1986 is estimated at $538,012.

FOOD DONATIONS PROGRAMS—APPROPRIATION LANGUAGE

Mr. WHITTEN. You state in your testimony that, and I quote, "Consolidation of these accounts will streamline our appropriation structure and improve the ability of the Department to respond to offsetting changes in participation and costs." Please explain what you mean by offsetting changes in participation and costs.

Mrs. NELSON. We think that placing CSFP with other food distribution programs that rely on Federal purchase and donation of participant benefits could have some advantages by providing the Department with flexibility to make minor shifts of funds between programs. This is similar to the combined accounts in the Child Nutrition Program.

While the fiscal integrity of each program is maintained, combining them in one account provides some flexibility to meet individual program needs by minor shifts of funds from one program to another when necessary.

COMMODITY PURCHASES

Mr. WHITTEN. Of the Fiscal Year 1991 funds requested for the Food Donations Programs, including CSFP, how much, by program, would be used to purchase commodities already in USDA inventory?

Mrs. NELSEN. None of the direct appropriation funds requested for commodity purchases in each of the programs under the Food Donations Programs heading—FDPIR, NPE, Soup Kitchens and CSFP—would be used to purchase foods that were available for donation to those programs from CCC inventories.

Mr. WHITTEN. The budget decrease of $2,096,000 for CSFP is a net decrease which reflects the cost of nonfat dry milk donated from CCC surplus as a free substitute and a projected increase in food package costs. On page 32-61 of your explanatory notes you state that free foods donated from CCC inventory are not charged against appropriations and that funds that are saved can be made available for additional participants. Please provide the Committee with a further explanation of this decrease.

Mrs. **Nelsen**. The Fiscal Year 1991 CSFP budget request maintains the current year caseload levels. The CCC projection for Fiscal Year 1991 would provide sufficient nonfat dry milk to meet the needs of CSFP, allowing current services at a reduced appropriation. If other foods that are part of the CSFP food package are donated to the program, the cost savings would be used to support additional caseload.

Mr. **Whitten**. Your explanatory notes indicate a significant decrease in CSFP participation during Fiscal Year 1990. Since there are considerably more funds available in 1990 than 1989 for CSFP, please explain the reduction in participants.

Mrs. **Nelsen**. Our explanatory notes did not indicate a significant decrease in CSFP participation during Fiscal year 1990. Rather, we indicated a decrease in caseload for Fiscal Year 1990 that was nevertheless sufficient to support CSFP participation levels at the end of Fiscal Year 1989. In other words, CSFP program operators were unable to use all the caseload assigned for Fiscal Year 1989 by the regulatory deadlines established for determining caseload allocations for Fiscal Year 1990. There were, however, some participation increases between September and December that cannot be maintained within the new caseload assignments.

Significant and completely unanticipated increases in CSFP food package costs, largely attributed to steep rises in the cost of dairy products such as nonfat dry milk and evaporated milk, made it impossible to expand these caseloads to permit program growth in Fiscal Year 1990 despite the increased levels of program funding.

Mr. **Whitten**. For the record, please provide a list of commodities and the amounts provided to States over the last 5 years under TEFAP. In the table identify which of those commodities were purchased vs. those in inventory.

[The information follows:]

TEMPORARY EMERGENCY FOOD ASSISTANCE PROGRAM

COMMODITY	1985		1986		1987		1988		1989		TOTAL FISCAL YEAR 1985-89	
	POUNDS	DOLLARS	POUNDS	DOLLARS	POUNDS	DOLLARS	POUNDS	DOLLARS	POUNDS	DOLLARS	POUNDS	DOLLARS
- TEFAP BONUS												
BUTTER	119,066,858	177,999,947	70,587,264	102,527,961	67,096,992	96,461,261	66,760,044	93,777,694	63,444,361	86,864,026	386,955,519	557,630,889
PROCESSED CHEESE	403,236,270	570,273,990	409,980,540	552,251,607	415,170,180	544,095,207	233,935,200	293,974,610	0	0	1,462,322,190	1,960,595,414
CHEDDER CHEESE	39,775,853	53,732,989	0	0	0	0	0	0	0	0	39,775,853	53,732,989
NONFAT DRY MILK	80,013,104	82,943,683	93,556,448	90,073,214	98,856,824	93,807,679	86,387,280	76,166,403	0	0	358,813,656	342,990,979
CORNMEAL	35,425,000	4,879,316	37,842,000	4,560,487	48,053,250	4,944,073	48,584,250	5,383,779	48,951,021	5,777,682	218,855,521	25,545,337
FLOUR	106,877,600	14,090,188	127,293,800	14,792,252	137,861,500	15,197,987	134,573,500	16,109,883	134,038,746	18,774,918	640,645,146	78,965,228
HONEY	69,325,920	53,851,976	78,015,348	60,736,862	92,330,316	71,554,014	44,899,524	34,796,792	28,648,972	23,584,019	313,220,080	244,523,663
RICE	75,874,848	14,747,850	130,675,584	21,176,701	154,719,600	19,750,715	76,950,000	15,078,258	0	0	438,220,032	70,753,524
WHEAT	0	0	0	0	0	0	0	0	407,266	163,488	407,266	163,488
SUBTOTAL	929,595,453	972,519,939	947,950,984	846,119,084	1,014,088,662	845,810,936	692,089,798	535,287,419	275,490,366	135,164,133	3,859,215,263	3,334,901,511
- TEFAP HPA												
VEGTABLE BEANS									27,527,640	8,351,823	27,527,640	8,351,823
RAISINS									8,528,160	6,067,117	8,528,160	6,067,117
CANNED PORK									41,438,709	46,835,191	41,438,709	46,835,191
EGG MIX									9,077,400	13,973,583	9,077,400	13,973,583
PEANUT BUTTER									54,264,000	44,990,686	54,264,000	44,990,686
GREEN BEANS									0	0	0	0
SUBTOTAL	0	0	0	0	0	0	0	0	140,835,909	120,218,400	140,835,909	120,218,400
GRAND TOTAL	929,595,453	972,519,939	947,950,984	846,119,084	1,014,088,662	845,810,936	692,089,798	535,287,419	416,326,275	255,382,533	4,000,051,172	3,455,119,911

* ANTICIPATED ADJUSTMENT OF $218,400.

Mr. WHITTEN. What commodities do you plan to distribute in Fiscal Year 1990? Please separate those purchased with funds appropriated for the program versus those acquired through normal price support and surplus removal programs.

Mrs. NELSEN. I will provide that information for the record.

[The information follows:]

TEMPORARY EMERGENCY FOOD ASSISTANCE PROGRAM

Commodity	1990	
	Pounds	Dollars
Bonus:		
Butter	72,000,000	84,240,000
Cornmeal	48,000,000	5,476,800
Flour	144,000,000	20,908,800
Honey	41,000,000	31,201,000
Wheat	459,000	184,059
Subtotal	305,459,000	142,010,659
HPA:		
Vegetable beans	23,116,800	6,500,000
Raisins	7,795,200	5,638,700
Canned pork	31,263,624	41,878,814
Peanut butter	72,000,000	60,000,000
Green beans	14,745,150	5,000,000
Subtotal	148,920,774	119,017,514
Grand total	454,379,774	261,028,173

Mr. WHITTEN. Your appropriations language request would allow funds for food purchases to be used to purchase USDA inventories. For the record, provide the table that appears on page 32g–52 of the explanatory notes and a similar table showing your Fiscal Year 1991 request.

Mrs. NELSEN. Fiscal Year 1991 TEFAP Bonus Commodity pounds and dollars and commodity procurement pounds are projected at Fiscal Year 1989 levels due to the inability to predict commodity availability. I will provide a table for the record.

[The information follows:]

FISCAL YEAR 1989 TEFAP SUMMARY

[Dollars in millions]

	Dollars	Pounds
Administrative funding	50.0	
Commodities:		
Bonus commodities	135.2	275.5
Commodity procurement	120.0	140.8
Total	305.2	416.3

FISCAL YEAR 1991 TEFAP SUMMARY ESTIMATE

[Dollars in millions]

	Dollars	Pounds
Administrative funding	50.0	
Commodities:		
Bonus commodities [1]		
Commodity procurement	120.0	[2] 140.8
Total	170.0	140.8

[1] Because of the uncertainty of commodity availability and the proposal to look first to CCC commodity supplies, we are unable to project bonus commodities.

[2] Actual pounds of commodities purchased for distribution will vary based on type and quantity ordered.

Mr. WHITTEN. Of your Fiscal Year 1991 request, how much would be used to purchase USDA inventoried commodities?

Mrs. NELSEN. In determining how to spend the $120 million requested for the Temporary Emergency Food Assistance Program—TEFAP, the Department will look at foods in surplus that are otherwise appropriate for TEFAP distribution. By doing this we can purchase more food for the available dollars and also help the agricultural sector. Some of these items might come from inventories of the Commodity Credit Corporation. As in the past two years, we will only purchase foods that are desired by emergency food organizations, are packaged for household distribution, and are high in nutrients.

FOOD PROGRAM ADMINISTRATION

Mr. WHITTEN. The Fiscal Year 1991 appropriation for Food Program Administration proposes to delete a provision that specifies that $5,000,000 of the funds appropriated shall be available only for simplifying procedures; reducing overhead costs; tightening regulations; improving food stamp coupon handling; and assistance in prevention, identification, and prosecution of fraud and other violations of law. Why do you consider this provision no longer necessary?

Mrs. NELSEN. Food and Nutrition Service program administration includes ongoing costs for staff resources to perform the activities identified by this language. FNS proposes deletion of the language because the agency spends far more than the $5 million required.

Mr. WHITTEN. Have you solved all the problems covered in this provision?

Mrs. NELSEN. No, the activities covered by this language are inherent to administration of agency programs. In Fiscal Year 1990 work continues on several demonstration projects directed toward testing alternative systems for issuing food stamp benefits. In addition to the demonstration projects, we are involved in several projects on a day-to-day basis. Among these projects are: acting on waiver requests of the regulations in order to provide State agencies maximum flexibility to administer the program more effectively and efficiently; sponsoring conferences so that States can exchange good management practices; providing enhanced funding for State anti-fraud activities; continued emphasis on quality control activities, including litigation; working with the Federal Reserve to strengthen the integrity of the coupon redemption process; review and monitoring store redemption for compliance with program regulations; and distribution of compliance investigation reports to regional offices for appropriate penalties.

Our legislative proposals for Fiscal Year 1991 include a series of initiatives aimed at improving program integrity. These include tougher penalties against program violators, authority for States to implement additional Electronic Benefit Transfer systems, and other legislative authority to help us better supervise retail operations.

PROCESSED COMMODITY INFORMATION MANAGEMENT SYSTEM

Mr. WHITTEN. Please explain in further detail the Processed Commodity Information Management System, including cost, completion date and any management savings.

Mrs. NELSEN. The Processed Commodity Information Management System—PCIMS—is a computer system designed to integrate the activities of three USDA agencies for commodity purchasing and distribution activities for domestic programs. FNS, Agricultural Marketing Service and Agricultural Stabilization and Conservation Service currently maintain three separate systems containing related and redundant data. The Tri-agency system will handle purchase invitations, commodity procurements, food ordering, entitlement monitoring, program accounting and management reporting. Operating from one system will eliminate redundant data and reporting and will increase accuracy and timely access to data. Target completion date is November 30, 1990. Total costs to date are about $29 million of which $3.7 million is attributed to FNS.

FOOD PROGRAM ADMINISTRATION

Mr. WHITTEN. Your budget requests an increase of $1,831,000 to fund program initiatives. Please provide the Committee with a breakout by activity of this increase.

Mrs. NELSEN. The Food Program Administration—FPA—budget request includes additional salaries and benefits costs of $1,831,000 for continued projects and new initiatives. I will provide a specific list for the record.

[The information follows:]

Welfare Reform Initiatives—$412,000—for assisting in the development and operation of welfare reform demonstrations projects. More projects—in number and complexity—than anticipated have been accepted into the process. In Fiscal Year 1989 there were 15 welfare reform projects at various stages of development and operation with approximately 10 more under negotiation.

Integrated Financial Management Systems—IFMS—$275,000—our current automated accounting system is out of compliance with the General Accounting Office standards. The core software for a new integrated system will be procured in fiscal year 1990. The requested funds will provide resources needed to begin writing and managing the development of additional software that will link a new Food and Nutrition Service general ledger with important subsystems.

Information Resources Management—IRM—$275,000—to continue implementation of new IRM activities. Critical projects for fiscal year 1991 are Electronic Benefits Transfer and State connectivity systems design.

Commodity Program Reform—$412,000—for monitoring of State Agency implementation of major regulatory changes required by commodity legislation. The Commodity Reform Act requires all States to evaluate their existing distribution system, to compare them to a commercial alternate and to implement the most cost effective system.

Program Accountability for Child Nutrition and WIC—$320,000—The Federal Review System currently in operation is directed solely toward the National School Lunch Program and is funded directly with program funds.

Food Stamp Employment and Training—E&T—$137,000—Program efforts to date have emphasized the design and implementation of program components to conform to statutory and regulatory requirements. The focus in fiscal year 1990 will shift to "managing" the programs, as States are faced with meeting performance standards. As with any developing program function, Federal staff efforts through 1990 are heavily oriented toward broad-based technical assistance to achieve compliance, with growing emphasis on the quality of program, monitoring program costs, and the integrity of program reporting. Fiscal year 1991 will see the implementation of outcome-based performance measures, integration of Food Stamp E&T activities with the E&T efforts in the Aid to Families with Dependent Children Program, and increasing emphasis on controlling program costs. Beyond current levels, staff are needed to define and ensure reporting of uniform, accurate, valid, and timely data. Records of program costs need to be reviewed to ensure only actual, appropriate, and approved costs are being charged to the Food Stamp Program. Systems to collect and evaluate performance data must be designed, implemented and monitored.

CHILD AND ADULT CARE FOOD PROGRAM—KEY ELEMENT REVIEW SYSTEM

Mr. WHITTEN. Were there any problems discovered with regard to the Child Care Food Program through the Key Element Review System? If so, describe the problems and your corrective action.

Mrs. NELSEN. Data collection from States under the key element review system was completed in early 1989. Analysis of the data revealed some problems in the areas of meal counts, menus, and eligibility determinations for free and reduced price meals. The results will be presented to the states at the next national meeting of state directors. After consultation with state officials, the department plans to propose corrective action through a combination of enhanced monitoring requirements for the Child and Adult Care Food Program and greater consistency in review activity conducted by States. Such corrective action may also include additional training of State agency staff and increased Federal oversight of program operations.

Mr. WHITTEN. How has the implementation of the Accuclaim provisions of the meal counting and claiming regulation improved the accuracy of meal counts in the National School Lunch Program?

Mrs. NELSEN. The "Accuclaim" provisions of the National School Lunch Program were effective on July 1, 1989, and for most schools, were not operational until September 1989, when school lunch service began for the current school year. As a result, we have just begun to assess the overall impact of these provisions on meal counting and claiming procedures. However, Accuclaim requires point of service counts of meals by type, rather than counts based on attendance or trays used. Therefore, the initial counts taken by schools will be more accurate than was frequently the case in the past. Moreover, required edit checks by school food authorities and State agencies will ensure the reasonableness of counts and claims submitted. Finally, by visiting each school at least once prior to February 1, the school food authority will be able to ascertain if a proper counting system is in place and is being used. Taken together, these provisions will result in more accurate reimbursement for meals served.

FOOD STAMP PROGRAM—RETAILER COMPLIANCE

Mr. **Whitten**. During Fiscal Year 1989 FNS checked almost 2,000 less stores for violations. Please explain this decrease, especially in light of the fact that roughly 50 percent are found to be in violation of Food Stamp Program regulations.

Mrs. **Nelsen**. The major reason for the decrease was a shift in policy. Rather than investigating the greatest number of stores possible, FNS focused on identifying serious violators and developing stronger evidence in those cases. A concerted effort was begun to contact law enforcement, regulatory, and program officials across the country to develop investigative leads on stores known to be trafficking in food stamps. Although implemented for less than half of Fiscal Year 1989, over 600 documented contacts were made. Part of the payoff of this effort was that the ratio of stores found buying food stamps for cash to all those investigated increased by 72 percent. Buying food stamps for cash is considered the most serious food stamp violation. In addition to providing sources for investigations, the investigators' contacts with community officials increases the Federal presence within those communities and helps demonstrate to the public the Department's commitment to retailer compliance with Food Stamp Program requirements.

Because of the Department's concern with trafficking in the Food Stamp Program, the Administration's 1990 Farm Bill proposes the establishment of a strike team of government investigators to expose those who abuse the program, increasing existing staff devoted to this effort.

ACCOUNTS RECEIVABLE

Mr. **Whitten**. Please explain why accounts in litigation increased $51.6 million by year end.

Mrs. **Nelsen**. The increase of $51.6 million in the ligitation account represents an increase in the amount of quality control error liability billings for 33 States for Fiscal Year 1984. Virtually all of these error liability billings have been brought to litigation.

Mr. **Whitten**. Please update for the record the table that appeared on pages 466 and 467 of last year's hearing record to include Fiscal Years 1988 and 1989.

[The information follows:]

[Dollars in millions]

	Fiscal year—		Percent change
	1987	1988	
Fraud hearings:			
Total held/waived	57,302	51,365	−10.4
Persons disqualified	54,732	46,076	−15.8
Investigations:			
completed	226,776	316,548	+39.6
Involved	$64.8	$65.5	+1.1
Prosecutions:			
Completed	18,521	19,131	+3.3
Involved	$26.6	$27.7	+4.1
Persons disqualified	26,913	29,939	+11.2

[Dollars in millions]

	Fiscal year—		Percent change
	1987	1988	
Recipient claims established:			
Fraud	$60.2	$35.4	−41.2
Nonfraud	$102.7	$144.6	+40.8
Claims collected: [1]			
Fraud	$22.0	$23.4	+6.4
Nonfraud	$39.6	47.9	+20.9

[1] Major variations between fiscal years 1987 and 1988 reflect large transfers or balance adjustments.

Note.—Data ror fiscal year 1989 are not yet compiled.

AUDITS AND INVESTIGATIONS

Mr. WHITTEN. Please provide for the Committee a summary of the major findings of the audits and investigations listed on page 32-8 of the explanatory notes. Please include any changes FNS plans to make as a result of these findings.

[The information follows:]

FISCAL YEAR 1989 AUDITS AND GAO REPORTS

The following are reports that required action:

Title: Food Stamp Program: Administrative Hindrances to Participation - RCED-89-4; 10/21/88

Major Findings: Practices in a few local food stamp offices did not assure sufficient program access. These practices included shortened office hours, not providing expedited benefits to eligible households, and not helping applicants obtain verification of household circumstances. Also in 17 cases out of 316 reviewed, food stamps were terminated without review when General Assistance or Aid to Families with Dependent Children benefits were terminated. Finally, the General Accounting Office--GAO--found that, under program rules, household benefits can differ depending upon whether calculations are based upon actual monthly income or averaged income when households are paid weekly or biweekly.

Actions: The Food and Nutrition Service--FNS--studied the benefit calculation question and determined not to change the current rules. With regard to program access, FNS is preparing materials to share ideas about improvements, and is monitoring local practices through the ongoing management evaluation system.

Title: Food Stamp Program: Participation Terminated for Procedural Non-Compliance Causes and Benefit Loss - RCED-89-81; 07/10/89

Major Findings: During reviews in Georgia and Wisconsin, it was found that some households were experiencing breaks in receiving food stamps due to participants and, in some instances, State officials not complying with proper procedures.

Actions: A guidance memorandum asking all appropriate State Agencies to review their current policies and procedures to ensure that all participants receive maximum benefits will be issued in the near future.

Title: Redemption Accountability Pilot--27019-38-Hy; September 29, 1989

Major Findings: The Office of the Inspector General--OIG--reviewed the procedures and results of the pilot test of the food coupon redemption system redesign which was conducted from September 1988 to March 1989 in Dallas and Memphis. The OIG concluded that "the Pilot, as tested, did meet its principle objectives by demonstrating that improvement in accountability, reconciliation, and management control over food coupons, redemption certificates, and food coupon deposit documents could be obtained." The OIG recommended that FNS implement the pilot procedures nationwide and that the Federal Reserve enforce compliance of all depository financial institutions with coupon depositing requirements.

Actions: The Federal Reserve and FNS are proceeding to implement the system redesign this fiscal year. The Federal Reserve will issue revised food coupon depositing requirements to all depository financial institutions and take actions to ensure compliance with those requirements.

Title: FNS Financial Statements for Fiscal Year 1987--AFMD 89-22; March 15, 1989

Major Findings: GAO noted two findings in the audit of FNS' Fiscal Year 1987 financial statements. GAO cited that FNS did not use the accounting system general ledger to prepare external financial reports. The report also stated that FNS did not record accounting entries for undeliverable food coupons returned to inventory.

Actions: FNS has taken action to improve its accounting system and procedures so that the Agency used the accounting system general ledger to prepare financial statements and external reports for all years after Fiscal Year 1987. FNS published regulation 7 CFR Part 271 on February 15, 1989 to revise food stamp issuance rules. The new regulation established the requirements for the FNS-46, Issuance Reconciliation Report, which properly accounts for undeliverable mail issuance coupons returned to inventory. The new reporting process was implemented October 1, 1989.

Title: Contracting of Food Service to Management Companies in the National School Lunch Program--27099-25SF; June 20,1989

Major Findings: OIG issued a final audit report in June 1989 which presented the results of a review of documents relating to the procurement of food service management company services. Of the 99 School Food Authorities--SFA--randomly selected for review, a high frequency of weak internal controls and noncompliance with one or more procurement standards were disclosed. Problems discovered during the reviews included 72 percent of the SFAs did not follow an applicable federally approved procurement procedure--competitive bidding or competitive negotiation--and 74 percent imposed at least one restrictive clause in their contract that limited competition. OIG has recommended that FNS commit additional resources to improve controls over the SFAs' procurement process by requiring State agencies to review all aspects of SFA procurement actions, providing guidance on contract restrictions and performing periodic reviews of State agencies to ensure that SFAs comply with Federal Procurement Standards.

Actions: The Department is developing regulations to address the problems identified and provide appropriate guidance materials for State agencies and SFAs.

Title: Commodity Processing Operations - Yield Shortages--27099-79-Ch; March 13, 1989

Major Findings: This audit dealt with yield shortages under the State and National Commodity Processing Programs. The particular manufacturer audited failed to utilize adequate amounts of commodities to meet contract specifications.

Action: FNS is actively pursuing collection from the manufacturer at this time.

The following are informational reports with no recommendations for action:

Title: Food Assistance Programs: Nutritional Adequacy of Primary Food Programs on Four Indian Reservations - RCED-89-177; 09/29/89

Major Findings: A review of four Indian reservations indicated that Federal food assistance programs, primarily the Food Stamp Program and the Food Distribution Program on Indian Reservations, along with non-federal food assistance have contributed to improvements in the diets of low-income Indian households.

However, there were some indications that hunger still existed on two of the reservations. The report concludes that providing an adequate food supply and proper nutrition education should help to improve the quality of life on reservations.

Title: Food Stamp Program: Reasons for Non-Participation--PEMD-89-5BR; 12/08/88

Major Findings: Using data from the Panel Study of Income Dynamics, GAO described reasons persons gave for not participating in the Food Stamp Program FSP, and calculated that just below half of all eligible persons were not participating. --FNS studies indicate that about one-third of all eligible persons do not participate.

Title: Food Stamp Program: Implementation of Alien Verification - HRD-89-62; 03/31/89

Major Findings: Some Federal programs have specified that aliens who apply for benefits must have their status verified. The Immigration Reform and Control Act of 1986 required that verification had to be done through an Immigration and Naturalization Service--INS--system. Verification has been done through an INS system called Systematic Alien Verification for Entitlements--SAVE.
GAO's review indicates that progress had been made in implementing the SAVE requirements by the Food Stamp, Aid to Families with Dependent Children, Medicaid and Adult Assistance Programs, and the Unemployment Compensation Program.

Title: Food Stamp Program: Survey of Alabama Welfare Reform - HRD-129-BR; 08/17/89

Major Findings: GAO's review of the procedures used to process Alabama's Avenues to Self-Sufficiency through Employment and Training Services proposal found that the procedures were in compliance with Federal laws.

The Department has not yet received a copy of the GAO Report entitled, "Buy American Procedures at Commodity Schools" (RCED 89-218).

FOOD SAFETY INITIATIVES

Mr. WHITTEN. I have a few questions for Dr. Heimbach. You are requesting an increase of $1.0 million in support of a Department-wide Food Safety Initiative. Explain in further detail the Residue Exposure Assessment System, including cost, completion date, and what the System will accomplish.

Dr. HEIMBACH. The Residue Exposure Assessment System is a cooperative effort by 4 USDA agencies. Agricultural Marketing Service, Economic Research Service, National Agricultural Statistics Service, and Human Nutrition Informatin Service—HNIS. HNIS' part in USDA's Food Safety Initiative is to provide estimates of the quantities of agricultural commodities consumed by the U.S. population. These data can then be linked to national estimates of pesticide residues in agricultural products as determined by the other USDA agencies, and thus provide national estimates of potential human exposure to pesticides.

Within the National Nutrition Monitoring System, HNIS has primary responsibility for providing estimates on the average intake of all foods by the U.S. population. Respondents in HNIS' Nationwide Food Consumption Surveys report intakes of the complex foods they eat. HNIS is developing a system which will translate data on the amounts of the more than 5,000 foods eaten into quantities of agricultural commodities. Thus, foods such as pizza or apple pie can be translated into agricultural commodities such as tomatoes, apples, and wheat. The USDA System will provide a fast, flexible system for not only estimating intake of agricultural commodities based on national food consumption data, but will also link this intake data to quantities of residues that may have been detected in any of the commodities.

Costs of HNIS' part in the system in fiscal year 1991 ($1.0 million) includes $495,000 for 11 technical and support staff positions and $505,000 for computer hardware and software purchases, development and consultative services, and supplies.

Estimated date for completion is 21 months.

Mr. WHITTEN. Will it take 11 staff years to implement this new system?

Dr. HEIMBACH. Yes, it will require 11 additional staff years to etablish and maintain the Residue Exposure Assessment System (REAS).

While HNIS' Nationwide Food Consumption Survey provides data on the quantities of all the complex foods eaten by the U.S. population, additional databases and software systems are required to translate the quantities of these foods consumed to the quantities of agricultural commodities consumed. In addition, a computerized system must be developed and maintained which stores data on pesticide residues in agricultural commodities in a format that is compatible with the food intake data. I will provide additional information for the record.

[The information follows:]

FOOD SAFETY TASKS

Develop and manage complex databases on all the components of the complex foods consumed by the population;

Ensure compatibility of commodity intake data with residue data;

Ensure statistical, epidemiological, and toxicological accuracy of the data;

Acquire and maintain computer hardware support;

Establish and maintain a residue data bank that includes all the data on pesticide residues in food needed to link with data on food intake and thus provide estimates of potential human exposure to pesticide residues;

Establish criteria for the acceptance of data into the data bank and establish quality-assurance procedures;

Design, develop, and implement computer programs (software) for managing the databases;

Edit, code, and enter data into the data banks;

Develop and report data on the quantities of specific foods and agricultural commodities consumed by the U.S. population and population subgroups;

Develop and report data on estimated residue exposures based on residue levels in commodities consumed by individuals; and

Provide liaison between other Federal Agencies, State governments, and other researchers concerned with the quantities of foods and agricultural commodities consumed by the population and population subgroups and the potential exposure to residues.

New staff would include toxicologists, statisticians, epidemiologists, food and nutrition specialists, chemists, and computer specialists. The 11 professional and support staff would initially create the databases and software systems and provide management support to have a fully functional Residue Exposure Assessment System within 21 months. Once the basic parts of the system are established, the focus of the staff would turn more to analysis and reporting. However, the system will require continued updates as new data become available. Additionally, we anticipate ongoing inquires from government officials, researchers, and industry, as well as the public and media. We also anticipate that the system will need to be expanded to accommodate new foods and pesticide residues or new concerns about segments of the population.

Mr. WHITTEN. What type of information will be collected and stored in the new residue data bank? Can this information be found in other agencies such as FDA, EPA, etc.?

Dr. HEIMBACH. Data collected by the Agricultural Marketing Service and the National Agricultural Statistical Service on pesticide residues found in agricultural products will be entered into the Residue Data bank—RDB. This is new data and not available from either FDA or EPA. When the data bank is fully operational it will include information on residue tolerances which are determined by EPA. In addition, we will evaluate residue data from other sources for inclusion in the RDB. All records will include descriptive data such as the date and place of testing, the sample size, the methodology used, and other information needed to fully characterize the data for research purposes. Because the system is planned as an online data bank we will make it as complete as possible thereby minimizing the sources that users will need to go to for information.

EDUCATIONAL OUTREACH

Mr. WHITTEN. In what way will your outreach effort get the 1991 Dietary Guidelines message to those who most need it?

Dr. HEIMBACH. A major part of HNIS' research focuses on determining the dietary status of the U.S. population and the factors which influence dietary status. This research helps to identify those in the population who have dietary problems, what those problems are, and some of the reasons for the problems. A small part of HNIS' research effort is focused on determining effective ways to communicate dietary guidance to the general public and high risk groups. The third edition of the Dietary Guidelines will be published and made available for the public. A cost effective plan for reaching the public through the media and other information multipliers, e.g., television, radio, newspapers, magazines, health professionals, educators, and supermarkets, will be designed and implemented. A part of the plan will be devoted to reaching high-risk groups chosen for special targeting. Research conducted on factors that influence dietary status will provide important information on how best to get the Dietary Guidelines message to these hard-to-reach individuals. Nutrition education/intervention research efforts will address presentation of messages and dissemination methods that are most effective for the target audience. We will actively seek to coordinate our effort with other groups who are also trying to target high-risk groups.

Mr. WHITTEN. Why is there a need this year for five additional staff years to promote public awareness of the 1991 Dietary Guidelines? Provide a brief description of what these additional staff will do.

Dr. HEIMBACH. The third edition of the Dietary Guidelines for Americans will be released by the end of 1990. A major effort will be made to increase awareness of the new Guidelines, including the rationale for them, and to help people really put the Guidelines into practice in their daily lives. I will provide additional information on staff activities for the record.

[The information follows:]

Staff will be used to help support in-house research and to plan and monitor extramural research projects. The focus of HNIS research is the assessment of dietary status and the factors that influence dietary status for the U.S. population and population subgroups. This research helps to identify those in this population who have dietary problems, what those problems are and some of the reasons for the problems. Research also focuses on the most effective ways of communicating dietary guidance to the general public and selected high risk populations.

Staff will be needed to initiate and coordinate "cooperative" printing of the 1991 Dietary Guidelines. To help us conserve costs for printing and distribution and to increase our outreach, contacts will be made in the public and private sector to determine their interest in riding our initial and subsequent print orders for the bulletin. This work is labor intensive because it involves making many personal contacts and follow-up conversations and activities with a variety of people and organizations.

Staff will design a cost-effective outreach campaign for the 1991 Dietary Guidelines. The major objective of the plan will be to reach the general public through as many mechanisms as possible, including information multipliers, e.g., television, radio, newspapers, magazines, health professionals, trade associations, health associations, insurance companies, supermarkets, professional associations, teachers, etc. Part of the plan will be devoted to designing an outreach effort for high risk groups, such as the elderly, the low literate, and teens, chosen for special targeting. Earlier research on factors that influence dietary status will provide information useful in reaching these specialized groups.

Staff will be needed to carry out the plan. This work will promote the Dietary Guidelines bulletin and message. Materials needed for presentations made as part of the campaign will need to be developed. Speeches, interviews, and demonstrations will be prepared for presentations to Federal and State organizations, professional associations, nutrition committees, and the media.

Mr. WHITTEN. Please provide an object class breakdown of the $400,000 requested for four educational outreach efforts.

[The information follows.]

	Object class	*Amount*
24	Printing and reproduction	$70,000
25	Other services (extramural contracts)	250,000
26	Supplies and materials	70,000
31	Equipment	10,000

As noted above, most of the funds are planned to be spent on extramural research. Three different types of research projects are planned. Most of the funds are to be split between research focused on assessing the dietary status of high-risk population groups to determine their specific needs for dietary guidance information and research to determine the most effective means of communicating this information to the targeted groups. A small portion of the funds are intended to be spent on an extramural contract to design an outreach campaign.

ONGOING RESEARCH

Mr. WHITTEN. What type of data collection will be used for the 1992 CSFII?

Dr. HEIMBACH. The data collection for Continuing Survey of Food Intakes by Individuals—CSFII—1992 will be identical to that for the 1989, 1990, and 1991 CSFII. Data on food intakes will be collected from all men, women, and children in sample households. Each individual will be asked to provide 3 days of data—a 1-day recall and a 2-day record—of food eaten both at home and away from home. The sample will again include 1500 households on the basic—all-income—sample and 750 households in the low-income sample—those with incomes at or below 130 percent of poverty.

It is important that CSFII data collection procedures be consistent from year to year. Data from the various years of the survey will be combined and reported using a moving-average approach. This approach was recommended by two National Academy of Sciences Committees as a cost-effective means of providing trend information in a timely manner. The yearly data collection reduces start up costs after the first year, maximizing staff productivity.

The collection of 3 days of intake data is an important aspect of all USDA surveys. One-day intakes are appropriate for estimating mean nutrient intakes by population segments. However, research indicates that food intakes for at least 3 days are needed to assess the proportion of the population meeting standards such as the Recommended Dietary Allowances.

Mr. WHITTEN. What are the gaps in nutrient data that need to be filled?

Dr. HEIMBACH. Nutrient data are needed for new foods appearing in the market place, including those formulated to meet consumer demand for low-fat foods, low-calorie foods, high-fiber foods, microwavable foods, etc. For example, gaps need filling for beverages and desserts using the sugar substitute aspartame and also for foods with reduced fat content such as cheeses, ice cream, and baked products. We anticipate that new foods made with the fat substitute Simplesse will begin to appear soon and data will be needed for those foods.

Gaps in data need filling for fatty acids and amino acids in processed foods. At least part of this need for data on fatty acids arises from lack of specific information about the type of fat used in processed foods and the necessity for the manufacturer to substitute fats in these foods based on market availability.

Data are needed for nutrients for which there are no national tables, but for which either Recommended Dietary Allowances or Estimated Safe and Adequate Dietary Intakes have been established: vitamin D, vitamin K, iodine, flouride, chromium, and molybdenum.

Data are needed for carbohydrate fractions: starch, total sugars, and various individual mono-, di-, tri-, and tetra-saccharides.

For nutrients for which intakes average below the RDA, analytical data are needed to replace any estimated values being used for foods believed to make a substantial contribution of the nutrient to the population. These specific instances will be developed from the 1987–88 Nationwide Food Consumption Survey.

Data are also needed for ingredients used in processed foods, such as cellulose gums, in order to estimate nutrient content of new formulated foods when analytical data for these foods are not available.

In addition to nutrient data, research is needed to solve problems with analytical methodologies. Because of problems with methodology for folate in high protein foods, gaps exist for reliable data for this nutrient in these food groups. Problems in analytical methodology for soluble and insoluble dietary fiber determinations also need solutions to permit building reliable databases for those components. To assure the quality of nutrient composition data, Certified Standard Reference Materials should be developed by National Institute of Science and Technology for most vitamins, plant sterols, and dietary fiber.

Mr. WHITTEN. Your explanatory notes state that there is a need for research to provide the basis for an effective nutrition education/information program. Is your current program not effective?

Dr. HEIMBACH. Our current program is small, but effective. A major part of HNIS' research focuses on determining the dietary status of the U.S. population and the factors which influence dietary status based on data from HNIS' Nationwide Food Consumption Surveys. This information is essential in determining who in the population is most likely to benefit from nutrition education strategies and especially what information is likely to have the greatest effect on improving their diet. Much more work is needed in this area, especially related to high-risk groups in the population.

A smaller part of HNIS' research effort is focused on determining the most effective ways of communicating dietary guidance information to the public. There is limited research in the literature that addresses consumer understanding of nutrition information. Our Agency has made a contribution to the nutrition education community, both in effective materials development and in methodology and techniques to use in conducting qualitative nutrition education research. More work is needed, however, as research in food science and nutritional science is continually advancing, which in turn affects the needs of consumers and products available on the market.

The requested increase in funding will contribute to HNIS' ongoing research effort and to the research needed in this area.

FOOD CONSUMPTION RESEARCH

Mr. WHITTEN. On page 31g–1 of your explanatory notes you state that the results were completed and released within two years from the 1985 and 1986 Continuing Survey of Food Intakes by Individuals. Why did it take almost two years to release this information?

Dr. HEIMBACH. The release of information from the 1985 and 1986 Continuing Survey was made in a series of nine statistical reports and 13 data tapes. The first results were available in November 1985, just six months after completion of data collection; all information was available by early 1989. We believe this to be an outstanding achievement considering the complexity of this survey, the number of steps required to produce final data, the number of reports and data tapes issued, and the relatively small number of staff available for report and data tape production—most of whom have responsibilities for the work of other agency programs as well.

Collecting and publishing data on the food and nutrient intakes of individuals is a complex process. After the data are collected they must be reviewed and coded. The coding of open-ended food intake information is very difficult and labor-intensive compared with most other types of information obtained in surveys. Each food reported must be assigned a code and the reported amount of each food must be converted into its equivalent weight in grams. Foods which do not fit easily into the established coding system must be handled on a case-by-case basis—last week, for example, we had reports of someone eating a blind pigeon and raw cactus—a time consuming process. After the food data are coded, the nutrient values of that food must be calculated, the data must be weighed, checked for errors, and put onto computer tapes in a usable format. Tape documentation must be developed to provide users with information needed for using the data. Once the data and documentation are on the tape they are available for use. However, to produce published reports requires additional steps. Table formats must be established and programmed and the aggregated data again checked for errors. A statistical analysis must be conducted and the results and other documentation written up. The prepared reports must be peer reviewed and cleared both by HNIS and by the USDA Office of Information. Once cleared, reports must be prepared in camera copy format and sent to the printer. Each of the above steps takes time—the printing process alone usually takes about 6 weeks.

I will provide additional information for the record.

[The information follows:]

I. STATISTICAL REPORTS from the CONTINUING SURVEY OF FOOD INTAKES BY INDIVIDUALS

1985 Series

Report No. 85-1: Women 19-50 Years and Their Children 1-5 Years, 1 Day, 1985. Issued November, 1985.
Report No. 85-2: Low-Income Women 19-50 Years and Their Children 1-5 Years, 1 Day, 1985. Issued August, 1986.
Report No. 85-3: Men 19-50 Years, 1 Day, 1985. Issued November 1986.
Report No. 85-4: Women 19-50 Years and Their Children 1-5 Years, 4 Days, 1985. Issued August 1987.
Report No. 85-5: Low-Income Women 19-50 Years and Their Children 1-5 Years, 4 Days, 1985. Issued March, 1988.

1986 Series

Report No. 86-1: Women 19-50 Years and Their Children 1-5 Years, 1 Day, 1986. Issued January, 1987.
Report No. 86-2: Low-Income Women 19-50 Years and Their Children 1-5 Years, 1 Day, 1986. Issued april, 1987.
Report No. 86-3: Women 19-50 Years and Their Children 1-5 Years, 4 Days, 1986. Issued September, 1988.
Report No. 86-4: Low-Income Women 19-50 Years and Their Children 1-5 Years, 4 Days, 1986. Issued January, 1989.

II. ADMINISTRATIVE REPORTS:

HNIS(Adm.) 382. Research on Survey Methodology. Proceedings of a symposium held at the 71st Annual Meeting of the Federation of American Societies for Experimental Biology, April 1, 1987. 77p.

HNIS(Adm.) 385. Analysis of Nonresponse to the 1986 Continuing Survey of Food Intakes by Individuals, by C. Tuszynski and L. Roidt. 1989.

HNIS(Adm.) 378. Machine-Readable Data Sets on Composition of Foods and Results from Food Consumption Surveys. 1989.

III. CSFII DATASETS AND MICROFICHE

All datasets include the following: a description of the survey methodology; dataset characteristics and format; control counts for selected variables; food and nutrient intake data; a 51-character food description file; and a manual of food codes used for translating food intakes into nutrient intakes. The microfiche that comes with each data set contains copies of the survey instruments (interviewer's instructions manual, screening forms and questionnaires, and a food instruction booklet). The microfiche may be ordered separately--it includes all the material above except for the food and nutrient intake data. Datasets are available from the National Technical Information Service.

	Dataset	Accession Number	Cost
CSFII 85-1	Women 19 to 50 Years and Their Children 1 to 5 Years, 1 Day, 1985		
	Dataset (includes microfiche)....	PB86-171006	$325.00
	Microfiche only..................	PB86-170990	5.95
	Paper copy of microfiche.........	PB86-170990	80.00
CSFII 85-2	Low-Income Women 19 to 50 Years and Their Children 1 to 5 Years, 1 Day, 1985		
	Dataset (includes microfiche)....	PB87-197158	325.00
	Microfiche only..................	PB87-134722	14.50
	Paper copy of microfiche.........	PB87-134722	56.95
CSFII 85-3	Men 19 to 50 Years, 1 Day, 1985.....		
	Dataset (includes microfiche)....	PB87-197141	325.00
	Microfiche only..................	PB87-194049	19.00
	Paper copy of microfiche.........	PB87-194049	98.95
CSFII 85-4	Women 19 to 50 Years, and Their Children 1 to 5 Years, 4 Days, 1985		
	Data Set (includes microfiche)...	PB88-201249	325.00
	Microfiche only..................	PB88-201256	29.00
	Paper copy of microfiche.........	PB88-201256	98.95
CSFII 85-5	Low-Income Women 19 to 50 Years, and Their Children 1 to 5 Years, 4 Days, 1985		
	Data Set (includes microfiche)...	PB88-245121	325.00
	Microfiche only..................	PB88-245113	29.00
	Paper copy of microfiche.........	PB88-245113	98.95
CSFII 85-6	Women 19-50 Years, and Their Children 1-5 Years, 6 Waves of Data, 1985		
	Dataset (includes microfiche)...	PB88-122411	325.00
	Microfiche only.................	PB88-100227	34.00
	Paper copy of microfiche........	PB88-100227	104.95

	Dataset	Accession Number	Cost
CSFII 85-7	Low-Income Women 19-50 Years, and Their Children 1 to 5 Years, 6 Waves of Data, 1985		
	Dataset (includes microfiche)...	PB89-154330	$325
	Microfiche only..................	PB89-154348	31.00
	Paper copy of microfiche........	PB89-154348	103.95
CSFII 86-1	Women 19 to 50 Years and Their Children 1 to 5 Years, 1 Day, 1986		
	Dataset (includes microfiche)...	PB88-117767	$325
	Microfiche only..................	PB88-100219	19.00
	Paper copy of microfiche........	PB88-100219	80.95
CSFII 86-2	Low-Income Women 19 to 50 Years and Their Children 1 to 5 Years, 1 Day, 1986		
	Dataset (includes microfiche)...	PB89-124382	$325
	Microfiche only..................	PB89-124390	25.50
	Paper copy of microfiche........	PB89-124390	85.95
CSFII 86-3	Women 19 to 50 Years, and Their Children 1 to 5 Years, 4 Days, 1986		
	Dataset (includes microfiche)...	PB89-154355	$325
	Microfiche only..................	PB89-154363	36.00
	Paper copy of microfiche........	PB89-154363	109.95
CSFII 86-4	Low-Income Women 19 to 50 Years and Their Children 1 to 5 Years, 4 Days, 1986		
	Dataset (includes microfiche)...	PB89-205520	$325
	Microfiche only..................	PB89-205538	36.00
	Paper copy of microfiche	PB89-205538	109.95
CSFII 86-5	Women 19 to 50 Years, and Their Children 1 to 5 Years, 6 Waves of Data, 1986		
	Dataset (includes microfiche)...	PB89-154371	$325
	Microfiche only..................	PB89-154389	31.00
	Paper copy of microfiche........	PB89-154389	109.95
CSFII 86-6	Low-Income Women 19 to 50 Years, and Their Children 1 to 5 Years, 6 Waves of Data, 1986		
	Dataset (includes microfiche)...	PB89-205546	$325
	Microfiche only..................	PB89-205553	36.00
	Paper copy of microfiche........	PB89-205553	109.95

Mr. WHITTEN. Please describe the moving-average approach that will be used in 1990 for data reporting.

Dr. HEIMBACH. The purpose of a moving average is to increase the sample size by combining samples from different years when the sample size for a single year is too small to be significantly precise. A moving average for the current year is a weighted average of the survey estimates for the current year and all previous years included in the average. A 2-year moving average will include data collected over a 2-year period, a 3-year moving average will include data collected over a 3-year period, and so on. The yearly weights of the moving average are determined in such a way that the estimate for the current year will be as accurate as possible. This is done by balancing the potential for bias caused by changes in eating patterns over time against the increased precision of a larger sample.

The yearly collection of data from small samples and the reporting of that data using a moving average has several advantages: it spreads the cost of conducting a survey over many years instead of one, it minimizes costs and maximizes staff productivity by eliminating start up costs and activities necessary for one large survey, and it permits survey results to be published on an annual basis rather than once every 10 years.

Plans for the 1989–96 Continuing Survey call for the publication of results for men and women 20 to 49 after 2 years, and other sex/age groups after 3 to 5 years depending on the size of these groups as a proportion of the population. The first annual report will be issued in late 1991 or early 1992 and will include data on the food and nutrient intakes by women and men 20 to 49 years of age from the 1989 and 1990 data collections. Subsequent years will include additional sex/age groups.

Mr. WHITTEN. When will the revision of the Thrifty Food Plan be completed?

Dr. HEIMBACH. We expect to have the research completed for the revision of the Thrifty Plan by early 1993. At that time the revised plan will be available for use by the Food and Nutrition Service, which uses the Thrifty Food Plan for setting food stamp benefit levels.

Mr. WHITTEN. What was the actual cost of the CSFII in 1989? How has this compared to costs in previous years?

Dr. HEIMBACH. The cost of the Continuing Survey of Food Intakes by Individuals—CSFII—in 1989 was $1,605,974. This amount covers both the basic and low income samples and the telephone followup—the Diet and Health Knowledge Survey—DHKS. The cost includes start-up money not needed in the 1990, 1991, and 1992 surveys.

The cost for the 1985 CSFII—basic and low-income—was $2,484,141.

The methodology for the 1989 survey is different than that for the 1985 survey. Therefore, costs are not directly comparable. In 1985, the CSFII included the collection of information from individuals of specified ages for 6 nonconsecutive days. The 1989 survey includes the collection of information from individuals of all ages for 3 consecutive days. The 1989 survey also includes the DHKS followup.

NUTRITION EDUCATION

Mr. WHITTEN. Once group or individuals who need nutrition education are identified, how do you go about reaching these people?

Dr. HEIMBACH. Based on data from HNIS' Nationwide Food Consumption Surveys, we identify those in the population whose diets do not provide recommended amounts of nutrients and other food components. Further analysis identifies the factors such as food selection, eating pattern, and socioeconomic status that appear to be associated with poor diets for this group. The content of the nutrition education material can then be keyed to provide the information that will help get around the barriers to dietary improvement faced by the specific group.

Once the informational needs of the target audience have been defined, we conduct research on how best to communicate with that audience. Often, focus groups with representatives from the audience are held during development of the materials. For example, focus groups are being used to help us more clearly identify the needs of the low literate audience and address barriers they have to understand nutrition information. Professionals who work with low literate adult reading programs are involved in this project and are suggesting possible dissemination routes for materials. In some cases, we obtain help from panels of professionals who work with the target audience we are trying to reach. For example, in a cooperative project with the National Institute on Aging, we are using advice from a panel of professionals who work with the elderly. We are implementing their suggestions in a series of factsheets. The materials will be further evaluated using focus groups with the target audience of the elderly.

Because many States currently require health education at the junior and senior high school level and those responsible for teaching this information do not always have sufficient resources for teaching nutrition information, we are preparing a Health Educators Teacher's Guide for the Dietary Guidelines for Americans. Development of the guide will involve a panel of health educators who use nutrition education materials with junior and senior high school students. This panel, along with our staff and representatives from the Association for the Advancement of Health Education—AAHE, will assist in the development of the guide. Dissemination and distribution of the guide will be coordinated by AAHE.

Mr. WHITTEN. When will the study of the relationship between individuals' actual dietary intakes and their attitudes about dietary behavior be completed?

Dr. HEIMBACH. We do not envision a single definitive study on these relationships. Rather, the association of the DHKS and the CSFII provides a tool which will allow such study by HNIS, our cooperative-research associates at universities, other agencies in the Federal Government, and other investigators. While Federal agencies and others continue to provide dietary guidance, public-health information programs such as the National Cholesterol Education Program, food labeling regulations, food-safety activities, and so on, will be of value to be able to investigate the links between what consumers believe, worry about, understand, and hope to do and their actual patterns of food selection and consumption and consequent dietary status.

We expect that results from the first studies will be released within the next year; in addition, HNIS plans two publications on DHKS—a chartbook and statistical publication. These publications—to be released in early 1991—will provide tabular information only, rather than the more sophisticated analyses expected from extramural agreements and other longer term studies.

Mr. **Whitten**. Once a barrier to dietary improvement is discovered through the use of your Dietary Change Research Model, how do you attempt to try and change or improve the diets of Americans?

Dr. **Heimbach**. The Dietary Change Research Model provides one measure of differences between current food intake patterns of Americans and food patterns that would meet all nutritional recommendations simultaneously. Previously, no systematic approach has been available for examining such information. I will provide more detailed information for the record.

[The information follows:]

The Model's output may be of particular interest to three audiences: Nutrition educators, committees that set nutritional recommendations, such as the National Academy of Science's (NAS) Committee on Diet and Health and the NAS Committee on Dietary Allowances, and committees that make recommendations on how to improve diets such as the NAS Committee on Technological Options to Improve the Nutrition Attributes of Animal Products and the NAS Committee on Dietary Guidelines Implementation.

The model's output can help educators, scientists, and policy makers to identify strategies for redirecting food habits. Strategies identified might be: Educational strategies to change attitudes and improve knowledge about health diets; and environmental strategies to change the food supply through such diverse means as fortification, development of new food products, and providing economic incentives.

Both private and public sectors can benefit from information the model provides.

HNIS uses knowledge gained from the Dietary Change Research Model in two basic ways to promote improved diet quality for Americans. First, HNIS provides information directly to consumers through publications on food guidance and media campaigns designed to tell how to put dietary recommendations into practice. Second, NHIS acts as an information multiplier, educating other health professionals through workshops and seminars, presentations at professional meetings, peer reviews of policy documents related to developing and implementing dietary guidance, and articles in professional journals. For example, presentations have recently been given for the NAS Committee on Dietary Guidelines Implementation, the NAS Committee on Dietary Allowances, meetings of the Society for Nutrition Education, the American Dietetic Association, and the Institute of Food Technologists, and workshops and seminars sponsored by the Food and Drug Administration and the National Institutes of Health on issues and opportunities related to improving diets of Americans.

Mr. **Whitten**. Has the new educational outreach program entitled "Eating Right * * * The Dietary Guidelines Way" been effective? Has the media been responsive to this program?

Dr. **Heimbach**. Great interest has been shown in the campaign by both print and broadcast media. The campaign began July 1989 with the mailing of press kits to about 3,000 major magazines and newspapers. Campaign materials have been featured in many of these newspapers and magazines and the information has been used in many additional articles. Further, the campaign has made the media more aware of the materials and services available from HNIS, thereby providing a secondary benefit in helping the agency accomplish its mission to provide information that consumers can use to help them select healthful diets.

As part of the campaign camera-ready feature stories and graphics were sent to about 3,000 smaller newspapers in March 1990. The articles have already started to appear and comments sent to us on business reply cards by these newspapers have been very positive.

The broadcast media have also been very receptive. Over a dozen radio and television appearances were recently made in Atlanta; CNN is currently covering the campaign; and appearances of campaign spokespersons are presently being booked for Denver and Chicago. Media trips are also being planned for New York City; Houston and San Antonio, Texas; Newport, Rhode Island; Wausau, Wisconsin; and Anaheim, California.

The campaign materials are also being featured in professional journals and newsletters and are being used across the country by the Cooperative Extension System, home economics teachers, dietitians and others who work with and teach consumers how to make healthy food choices. We are very pleased with the way our campaign has been extended in Wyoming. In observance of National Nutrition Month, Wyoming is using our materials as the basis for a statewide nutrition awareness initiative. Each week one of the campaign's four new bulletins will be featured in supermarket programs, newspaper articles and TV and radio interviews. Mid-month, nutrition professionals will eat a brown bag lunch with and present a packet of nutrition materials to elected officials. We are anxious to cooperate with other States or groups who also would like to expand the campaign.

Mr. WHITTEN. Please provide a table showing the cost of food each month for the four USDA family food plans for the past five years.

Dr. HEIMBACH. I will provide tables showing the cost of food each month for the four USDA family food plans for the past five years.

[CLERK'S NOTE.—The referenced tables are too voluminous to print and will be retained in committee files.]

DIETARY GUIDELINES

Mr. WHITTEN. What is the status of the Dietary Guidelines Advisory Committee?

Dr. HEIMBACH. The Dietary Guidelines Advisory Committee, appointed in January 1989 by USDA and DHHS, was asked to make its recommendations for revision of the Dietary Guidelines within two years. The Committee report to the Secretaries of USDA and DHHS has been drafted. However, several issues are still under discussion by the Committee. When these are resolved, probably within the next two months, the report will be forwarded to the Secretaries, reproduced and distributed to interested parties. It is anticipated that the Committee will complete its work about 6 months ahead of schedule. Based on these recommendations the two Departments will make decisions about the content of the bulletin to be published.

Mr. WHITTEN. For the record, please list and briefly describe the bulletins that HNIS developed and issued last year to promote dietary guidelines for Americans.

[The information follows:]

Preparing Foods and Planning Menus Using the Dietary Guidelines.—Features tips for cooking with less fat, sugars and sodium; a daily guide to food choices; advice on developing family menus; and 10 recipe ideas which illustrate the Guidelines principles.

Making Bag Lunches, Snacks and Desserts Using the Dietary Guidelines.—Features a muncher's guide to snacks; ideas for great-tasting desserts with less fat and sugar; tips for hot and cold bag lunches; and 27 recipe ideas.

Shopping for Food and Making Meals in Minutes Using the Dietary Guidelines.—Contains quick meal hints to help fit nutritious meals into today's busy lifestyles; tips on reading food labels; an aisle-by-aisle shopping guide; and 18 timesaving recipe ideas.

Eating Better When Eating Out Using the Dietary Guidelines.—Contains tips for making nutritious food selections; advice on reading restaurant menus; and facts and fallacies on fast foods.

Each of the four bulletins is interestingly written and formatted to appeal to today's consumers. They emphasize a "total diet" concept—that it's not just one food or one ingredient that counts, but the total diet. They encourage variety, balance, and moderation in food consumption.

PRINTING AND REPRODUCTION

Mr. WHITTEN. In 1988, you spent $32,274 in object class 24, Printing and Reproduction. In 1989, you spent $185,808 in this object class. Please explain why there was an increase of $153,534.

Dr. HEIMBACH. The increase in Object Class 24, Printing and Reproduction, between 1988 and 1989 was due primarily to two factors. The printing of the Home and Gardens publications of the "Eating Right" campaign which cost approximately $75,000, and the printing of the questionnaires and materials for the CSFII 1989. In previous surveys, the contractor printed these survey materials, but a change in Department printing regulations required us to order printing separately and so these each appeared in Object Class 24 for the first time.

OTHER SERVICES

Mr. WHITTEN. The fiscal year 1991 budget proposes an increase of $1,098,000 in the object class, Other Services. For the record, please provide a list of those activities that will be increased and the reason for the increases.

Dr. HEIMBACH. The increase in Object Class 25, Other Services, for fiscal year 1991 reflects the extramural components of HNIS' budget request for the Food Safety Data Initiative and the Nutrition Education initiative. In addition, it reflects increased costs for extramural components of existing food consumption, food composition, and nutrition education research programs.

EQUIPMENT

Mr. WHITTEN. Please explain why your budget requests that funds for equipment be increased from $91,159 in fiscal year 1989 to $160,000 in fiscal year 1991.

Dr. HEIMBACH. The increase in equipment from fiscal year 1989 as compared to fiscal year 1991 is due entirely to updating and expanding our computer capacity. Most of this increase will have occurred in fiscal year 1990. Not only will we need previously planned additional equipment and expansion for HNIS' LAN System, we will need additional computer equipment and capacity for the Food Safety Data Initiative and our educational outreach efforts.

Mr. **Whitten**. I yield to Mrs. Smith.

Mrs. **Smith**. Thank you, Mr. Chairman. And thank you all for being here and welcome. We are glad to have you here Administrator Nelsen and Assistant Secretary Bertini and all of you. I think you made a very lucid and very comprehensive report. We appreciate the importance of what you are doing and we appreciate the fine job you are doing.

FOOD STAMP FUNDING

Now you pointed out that we were going to need a supplemental of roughly $500 million in the Food Stamp Program. Could you tell me very briefly what are the reasons for this shortfall and what are you doing to make sure that you perhaps have a more accurate judgment about the needs next year?

Mrs. **Nelsen**. I think the best word for what we are experiencing, Mrs. Smith, is we are confounded by the situation. The numbers and the trends that we are seeing in the last few months do not reflect the historical patterns or trends which were valid as recently as two years ago. Things are going on that we cannot tie to any particular thing. It used to be that we could watch the unemployment compensation trend line and know that our line would follow that. That is not the case today. There are other things going on. It is not just the Food Stamp Program which is experiencing this.

You may have noted in the Washington Post some six or so days ago the article about welfare in Prince Georges County and how there was a tremendous growth in AFDC there and that Baltimore was stable and they really couldn't account for that. All that is available to us is anecdotal comments.

In light of that I can tell you some of the things that are happening, but I can't tell you with certainty that these are causing the increases. The numbers are going up in certain States—Florida, California, Texas, and Arizona have noticeably increasing numbers. Now those are States that people who are hoping for a new future and a new dream may migrate to because they hope that they are going to find work there. And if, in fact, they leave home and go to these places and don't find work, they come to the local Food Stamp office and request help with food assistance. So migration may be part of the equation.

There is a tremendous increase in this nation in teenage pregnancy and the establishment of new households. So we see greater numbers of people applying for AFDC benefits and Food Stamp benefits.

OUTREACH

In part, we have had really strenuous efforts to reach out to eligible people because we know today we are only reaching somewhere in the neighborhood of 65 percent of all the people who are eligible for Food Stamp benefits and have about 80 percent of the benefits for which they would be eligible. But in that outreach effort, we are bringing more people who are eligible into the program.

Furthermore, in the Hunger Prevention Act Congress has increased the benefit level above the level provided by the Thrifty Food Plan. As benefits increase, at the margin, some people who might have foregone those benefits are going to come into the Food Stamp office and request benefits. So we think that is also a factor.

FOOD STAMP APPROPRIATIONS LANGUAGE

Mrs. Smith. I note Administrator Nelsen that you point out that you really need open-ended appropriations and you feel that this would provide a good deal more certainty. We are concerned about any open-ended appropriations and I would have some very real reservations. Maybe you might just tell me in a few words exactly how you think that would assist you in managing this program.

Mrs. Nelsen. Well, I am glad you are asking the question. That means that you have an open mind. Now it is my job to persuade you that the Administration is right on this idea. It does offer the hope that the clients, those low-income people, would have assurance that their benefits would never be cut.

Mrs. Smith. We have always provided the money.

Mrs. Nelsen. That's true. But when you say that to people out there who are depending on it, they still roll their eyes and they ponder whether this will always be the circumstance.

The second thing is that there are programs now where Congress has seen fit to include this language. One of them is SSI—Supplemental Security Income—and the other is AFDC. So we feel that surely Food Stamps fits in that same pattern and could be eligible for this consideration as well.

We are not thinking about ourselves. I find it a pleasure to come before this committee and talk about money. So there is no problem to us to come back and tell you when the numbers are going to require additional funds. But I am really thinking about the client.

EXPANDED FOOD AND NUTRITION EDUCATION PROGRAM

Mrs. Smith. I have just a couple more brief points, and then we have got lots more people to ask questions. I am concerned, along with the Chairman, about the Administration's cutting the EFNEP program down to $21 million. I was spending a couple of days at Tuskeegee Institute and they pointed out to me that that was one of the most important programs for their kind of clients that we have. I have here the result of some study of this down in Texas and I thought I would just read to you what one of the women said. She said, "I am using a grocery list now. I have cut down on fats. I was using two 48 ounce jars of oil per week. Now I am hardly using one. I am saving $50 a week." Well, you know, when a program does that, it is pretty good.

SCHOOL LUNCH PROPOSAL

Then the other point that I wanted to comment about was the President's recommendation that students whose parents make $42,000 a year not have any more subsidy on the school lunch. I can see a real reason for that and I think you point out it would save $181 million. Let me say at home there are all kinds of objections to any reductions in the School Lunch Program. They say it is impossible to administer when you provide it on a basis of how much income the parents have, that maybe there will be so few take it that it won't be practical and so on. Maybe for the record you would comment about your reasons.

Mrs. **Nelsen**. Yes. The first program that you speak of, Mrs. Smith, is administered by the Extension Service. So I can't comment on that because it is not in the Food and Nutrition Service.

The School Lunch Program certainly is ours and it is a very important part of our program. I think that any time a change is proposed, people are going to feel uneasy with it and they may in fact predict a lot of gloomy thoughts about what may happen. In point of fact, the school lunch people cannot say with certainty, and we also cannot say with certainty, what the outcome would be in terms of participation from those families who earn over $42,000 who would have to pay the entire cost of school lunch. But we can think about it personally. The cost of school lunch today for those families is $1.00. It would likely increase to $1.30 if the President's proposal were adopted. And so one has to ask oneself if those families which are earning $42,000 a year in a family of four would find $.30 a day an excessive burden when that represents about half of the cost of a can of soda pop. I think that those families would realize that the school lunch is the best bargain in town in terms of meeting nutritional needs for a very low price.

Mrs. **Smith**. Well, it sure is and I am not objecting to it.

WIC PROGRAM

Administrator Nelsen, in your statement you discuss the Women, Infants, and Children Program—WIC—and you state that roughly 90 percent of all eligible pregnant women are reached by this program.

However, would you tell the committee how many of all eligible recipients are serviced by the program?

Mrs. **Nelsen**. WIC now serves about two-thirds of all those eligible for the program, including virtually all eligible infants.

Mrs. **Smith**. Do you believe the program is conducting adequate outreach programs to increase these levels of participation?

Mrs. **Nelsen**. From September 1988 to September 1989, WIC participation increased by approximately 700,000 persons. Given the States' ability to locate eligible applicants to achieve this unprecedented increase in program expansion in just one year, we believe that WIC outreach efforts are more than adequate. However, we are always seeking out new, innovative ways to enhance outreach in the program.

HNIS BUDGET PROPOSAL

Mrs. **Smith**. Administrator Heimbach, in light of the increased public attention to nutrition information, I understand the growing importance of your agency. However, in reviewing the President's budget proposal I find that your agency would be funded $10.7 million in FY91, an increase of $1.7 million over the $9 million provided in FY89.

Administrator Heimbach, is this funding level adequate to meet your agencies goals to get nutritional information and dietrary guidance to hard-to-reach populations?

Dr. HEIMBACH. This level of funding is adequate to meet the established goals of the new nutrition education initiative.

Part of the funding will help support some of the Agency's research on the assessment of dietary status, factors that influence dietary status, and the most effective ways to communicate dietary guidance to the general public and selected high-risk populations. This research forms the basis for development of effective targeted strategies for helping people improve their diet.

Part of the funding for the new initiative will be used to defray some of the cost for designating and printing the third edition of the Dietary Guidelines. We will encourage private sector participation and cooperation in printing and dissemination to ease some of the Agency's burden and to increase the outreach. Part of the funding for the new initiative will be used to design a cost-effective outreach campaign for the 1991 Dietary Guidelines to reach the public through the media and other information multipliers. Part of the outreach plan will be devoted to designating an outreach for high risk groups, such as the elderly, low literate, and teens.

Part of this funding will be used to defray the costs of carrying out the outreach plan. This will involve development of speeches, interviews, and demonstrations for presentations to Federal and State organizations, professional associations, and the media. With the level of funding proposed in materials development, we will need to focus first on the general population before addressing more specialized audiences. We will be able to provide a limited number of copies of the Dietary Guidelines bulletin itself free to the public, and will probably provide low-cost publications which show consumers how to implement the Dietary Guidelines.

Mrs. SMITH. No more questions, Mr. Chairman.

Mr. WHITTEN. Thank you very much. Concerning this nutrition aides or EFNEP program, we realize that's handled by another agency but it is shooting in the same direction as yours. We are trying our best to help. This committee backed us in a suggestion I had. We had a supplemental bill in connection with drugs. We provided in there that the administration give thought to making vacated military facilities into the old CCC type camps. The idea is that youngsters could be moved out of drug-ridden areas. So far no one has acted on our proposal. I had a chance this week to talk to the Secretary of Defense about speeding that up.

I couldn't help but think as we were talking about nutrition, some years ago we had a fellow in a western city say that it is not the underprivileged that need advice, it is the overprivileged. They want to live on coke and candy. So nutrition is a real problem. The first thing is to know the right thing to eat, the next thing is to get the children to follow it.

But we do appreciate the job that you do and we try to join with you.

Mr. Traxler?

Mr. TRAXLER. Before I begin my questions, at this time on behalf of myself and my colleague from Michigan Congressman Kildee, I want to publicly thank and compliment Mr. Ron Vogel of the Supplemental Foods Division, and Mr. Monroe Woods of the Chicago Regional Office plus the staff of that office for the cooperation we received last September in dealing with certain difficulties faced by a Commodity Supplemental Food Program Operator who serves both of our Congressional districts. Their work represented a cooperative effort we hope will continue in the future.

CSFP CASELOAD ASSIGNMENT

You have inherited a difficult situation, and I ask these questions not with any disagreement with you as the new administrator, but with frustration over the historic operation of the Commodity Supplemental Food Program. We have had correspondence recently regarding your method of assigning caseloads in CSFP. As you will recall, our objection was that you failed to protect the caseload for three new CSFP operators in Michigan, and as a result reductions in authorized caseloads were made at these new sites.

You have had a practice for many years of protecting the caseload of a new program operator through two fiscal years, recognizing that the first fiscal year rarely represents a fair opportunity for a program to responsibly build up to caseload level.

The problem occurs in that you treat a new program operator as a new State in the program, rather than a new operator in the program. As a result, new program operators in States already operating CSFPs are at a disadvantage compared to new program operators in new CSFP States.

The reports for both the House and the Senate direct you to treat caseload conversion from mothers and children to the elderly on a project-site specific basis, rather than on a State-wide basis. Why didn't you follow this procedure in assigning caseloads for Fiscal Year 1990 as well?

Mrs. NELSEN. There appears to be some confusion between caseload assignment and caseload conversion. While the question relates to assignment of caseload the language in the House Report relates to caseload conversion. The report states that the Committee believes that in areas where mothers, infants and children are adequately served unused caseload should be converted to the elderly program. These concepts are not the same.

The Department assigns caseload to States to serve participants over a specified period of time. States, in turn, are responsible for assigning and monitoring caseload at the local level on a project-site specific basis. By law, the Department is limited to contracting for the administration of the program with a State or an agency designated by the State, or an Indian tribe, band or group recognized by the Departments of Interior and/or Health and Human Services.

Conversion is the redirection of originally allocated caseload within a State. States must request permission from the Department to convert specific numbers of excess women, infants and children caseload slots, assigned to the State, to the service of elderly persons. States then determine how the converted caseload is assigned to their local agencies.

By law, States cannot request caseload conversion until 90 days after caseload assignments are announced. The Department announced caseload assignments on December 1, 1989. As of March 9, 1990 no State has requested conversion of caseload.

Mr. TRAXLER. In your response to Congressman Kildee and myself, you suggested, Secretary Bertini, that the Michigan State Agency can "elect to allocate caseload among its local agencies to best serve areas of the State in greatest need of CSFP benefits." How does a State agency allocate insufficient caseload?

Ms. BERTINI. Some Commodity Supplemental Food Program—CSFP—State agencies have a greater demand for benefits than can be met with existing program resources. State program managers must, however, allocate available resources to service areas with the greatest need. In the case of the State of Michigan, the situation was such that several local agencies, for whatever reason, were assigned caseloads that they could not fill within the period established by regulation that determines a subsequent year's caseload level. This being the case, the State could have transferred unused caseload among local agencies in Michigan to deliver benefits in areas in which participation levels clearly indicated current need for such resource transfers. This strategy would likely have resulted in no loss of State-wide caseload. As it turned out, however, the State ended the year with unused caseload slots and, by regulation, these unused slots were deducted from Michgian's base caseload assignment for Fiscal Year 1990.

Mr. TRAXLER. Your caseload assignments went to program operators in February. You authorized 164,376 slots for mothers, infants, and children, and 106,754 slots for the elderly. This is a reduction of more than 14,500 slots for mothers, infants and children, and 6,000 slots for the elderly from fiscal year 1989 assigned caseloads. It is 55,000 slots below the number requested by mothers, infants, and children operators, and an additional 50,000 slots below the number requested by program operators for the elderly. Most disturbing is that it is 11,500 below the number of mothers, infants, and children actually served in January 1990, and nearly 4,000 below the number of elderly actually served. This paints a far different picture than the Fiscal Year 1989 participation table you included in your budget justification. How can you reconcile the assigned caseload with the reality of the number of people being served, and the requests for service?

Mrs. NELSEN. CSFP State agency caseload allocations levels were effective on December 1, 1989. The Fiscal Year 1990 caseload authorized for women, infants, and children was 164,376 and 106,754 for elderly. The women, infants, and children caseload was later increased by 716 slots in January 1990 to 165,092, to credit New Hampshire with participation levels it reached in September.

CSFP regulations specify that assignment of base women, infants, and children, and elderly caseload to a currently participating State agency shall be based on the highest of either September participation, average monthly participation for the period July through September, or average monthly participation for the fiscal year. The participation performance of each State agency during fiscal year 1989 determined its base caseload allocation. CSFP fiscal year 1990 resources did not permit granting requests for expansion in any CSFP State agency due to unexpected costs for purchasing nonfat dry and evaporated milk.

These regulations have been in effect since September 1986, so State agencies are aware that prior year participation levels are used in establishing base caseload levels. The Food and Nutrition Service—FNS—advised State agencies that funding was likely to be limited in fiscal year 1990 and to exercise caution during October, November, and December in increasing participation above the anticipated base caseload levels for fiscal year 1990. State agencies which have exceeded authorized caseload levels are expending resources at a rate that is not sustainable throughout fiscal year 1990.

Mr. **Traxler**. Will you request a supplemental appropriation?

Mrs. **Nelsen**. We will not be requesting a supplemental appropriation. We believe the caseload levels we have authorized for fiscal year 1990 can be supported with the resources currently available.

Mr. **Traxler**. Mr. Chairman, I request that the table showing caseload requests and assignments for the Commodity Supplemental Food Program be inserted in the record at this point.

[The information follows:]

COMMODITY SUPPLEMENTAL FOOD PROGRAM
FISCAL YEAR 1990 CASELOAD AUTHORIZATIONS AND REQUESTS

WOMEN, INFANTS & CHILDREN SUBGROUP

STATE	TOTAL FY 1990 AUTHORIZED CASELOAD LEVELS ("BASE" CASELOAD)	W-I-C EXPANSION REQUESTS (NOT AUTHORIZED)	NEW STATE AGENCY REQUESTS (NOT AUTHORIZED)
NEW HAMPSHIRE	2,342		
NEW YORK	5,840	3,000	
DISTRICT OF COLUMBIA	4,645		
KENTUCKY	3,488		
NORTH CAROLINA	674		
TENNESSEE	17,755		
ILLINOIS	11,334	2,666	
MICHIGAN	44,889	12,000	
MINNESOTA	2,788	8,212	
RED LAKE	554	46	
LOUISIANA	27,188	10,003	
NEW MEXICO	6,315	**	
COLORADO	14,410	1,050	
IOWA	1,566		
KANSAS	2,712	3,842	
NEBRASKA	6,294		
SOUTH DAKOTA	1,232		
ARIZONA	5,510	1,490	
CALIFORNIA	4,907	400	
OREGON	649	**	
OHIO			32,112
TOTAL	165,092 ✓	42,709 ✓	32,112 ✓

ELDERLY SUBGROUP

STATE	TOTAL FY 1990 AUTHORIZED CASELOAD LEVELS ("BASE" CASELOAD)	ELDERLY EXPANSION REQUESTS (NOT AUTHORIZED)	ELDERLY INITIATION REQUESTS (NOT AUTHORIZED)
NEW HAMPSHIRE			10,500*
NEW YORK			3,000
DISTRICT OF COLUMBIA	7,621	**	
KENTUCKY	3,225	2,500*	
NORTH CAROLINA	1,514		
TENNESSEE	11,345	5,500*	
ILLINOIS	2,955	3,045	
MICHIGAN	32,732	9,000	
MINNESOTA			8,044*
RED LAKE			100
LOUISIANA	24,478	15,001	
NEW MEXICO			
COLORADO	4,828	2,000	
IOWA	4,615		
KANSAS			625
NEBRASKA	7,963		
SOUTH DAKOTA			
ARIZONA	2,791	1,080	
CALIFORNIA	2,687		
OREGON			
ELDERLY TOTAL	106,754 ✓	38,126 ✓	22,269 ✓

* NH REQUESTED TO CONVERT 1,500 FY90 CASELOAD SLOTS TO ELDERLY; MN REQUESTED TO CONVERT 1,044 FY90 CASELOAD SLOTS TO ELDERLY; KY REQUESTED TO CONVERT 500 FY90 CASELOAD SLOTS TO ELDELRY; TN REQUESTED TO CONVERT 500 FY90 CASELOAD SLOTS TO ELDERLY.

** DC, OR, AND NM REQUESTED CASELOAD BE MAINTAINED AT FY 89 LEVEL FOR FY90. REQUESTS DENIED.

Commodity Supplemental Food Program
Caseload Requests / Assignments / and Actual Participation
January 1990

	FY 1989 Authorized Caseload		FY 1990 Requested Caseload		FY 1990 Assigned Caseload		January 1990 Actual Participation	
	M / C	Seniors	M / C	Seniors	M / C	Seniors	M / C	Seniors
Arizona	5,550	2,920	9,110	4,420	5,510	2,791	5,930	2,813
California	4,925	2,783	5,825	3,383	4,907	2,687	4,071	2,695
Colorado	14,410	4,828	15,410	6,328	14,410	4,828	16,655	5,539
Dist. of Columbia	4,772	10,000	5,000	10,000	4,645	7,621	5,354	8,361
Illinois	11,334	2,955	14,334	5,955	11,334	2,955	11,295	2,900
Iowa	1,987	5,164	1,987	5,164	1,566	4,615	1,672	4,743
Kansas	2,943		3,943		2,712		2,604	
Kentucky	4,204	3,225	4,204	3,225	3,488	3,225	3,646	3,223
Louisiana	27,992	24,478	37,992	39,478	27,188	24,478	29,028	24,234
Michigan	46,469	32,855	58,469	41,855	44,889	32,732	51,323	33,851
Minnesota	2,788		10,000	7,000	2,788	0	2,888	
Nebraska	7,694	9,962	7,694	9,962	6,294	7,963	6,510	8,575
New Hampshire	2,478		2,478		1,626		1,448	
New Mexico	10,000		10,000		6,315		6,296	
New York	10,068		10,068		5,840		6,066	
North Carolina	738	1,641	738	1,641	674	1,519	617	1,702
Oregon	929		929		649		695	
Red Lake	554		554		554		603	
South Dakota	1,373		1,373		1,232		1,155	
Tennessee	18,371	12,046	18,371	17,046	17,775	11,345	18,085	11,704
Total:	178,985	112,857	219,251	156,115	164,376	106,754	175,941	110,340

Mr. **Traxler**. How much would it cost to restore caseloads to fiscal 1989 levels for the balance of this fiscal year?

Mrs. **Nelsen**. Caseload allocations for fiscal year 1990 were reduced because States did not use all allotments in fiscal year 1989. The cost that would be incurred by restoring caseload levels to the levels which existed for fiscal year 1989, for the period from April through November 1990—plus three months additional inventory—would be approximately $4 million.

Mr. **Traxler**. In your budget request for fiscal 1990, you suggested that the amount of funds you were requesting would support a caseload in 1990 of 179,126 mothers, infants and children, and 83,108 elderly. We provided an increase of $3 million over your budget request, and as I understand matters you had a carryover of fiscal 1989 funds in the amount of $3.8 million. Yet with resources that were 10 percent over your fiscal 1990 budget request, your fiscal 1990 assigned caseload for mothers, infants, and children is 15,000 below your projection, and for the elderly is 23,000 over your projection. This is after your monthly food package costs for both components of the program is more than 10 percent below the cost you projected a year ago—$22.56 v. $24.05 for mothers, infants and children, and $18.89 v. $21.63 for the elderly. How can your caseload projections and utilization be so dramatically different, even with lower than anticipated food costs?

Mrs. **Nelsen**. Budgeting for CSFP is based upon probable caseload assignments. At the time the fiscal year 1990 budget was prepared, the Department had to take into consideration the significant fiscal year 1989 caseload assignments to new CSFP State agencies mandated by the Agricultural Appropriations Act of 1988. As you are aware, caseload assignments to new State agencies are guaranteed through two consecutive caseload cycles. Fiscal year 1990 projections were based on the assumption that new States could use all caseload assigned in fiscal year 1989, the second year of this 2-year start-up period for these new State agencies.

As a consequence, the Department's budget projection reflected very high caseload assignments for women, infants, and children even though we had misgivings about the ability of these new agencies to use this caseload in a timely manner.

Caseload utilization was carefully monitored through the first part of fiscal year 1989. When it became clear that actual participation, primarily among new State agencies, was below caseload assignments, we redistributed resources to fund an additional 30,000 elderly caseload slots. The final caseload allocation for fiscal year 1989 was 30,000 slots higher than total initial allocations.

As we anticipated, State agencies were not able to use all caseload assigned for women, infants, and children in fiscal year 1989, and this explains the lower caseload assignment for this participant category for fiscal year 1990. Likewise, elderly caseload assignments for fiscal year 1990 were higher than budget projections because of the increased participation made possible by increased elderly caseload allocated mid-year in fiscal year 1989.

Finally, the food cost numbers you refer to include the value of commodities that have historically been donated by the Department to CSFP—such as cheese, butter, and nonfat dry milk. The Department's budget did not assume that appropriated funds would be needed to purchase nonfat dry and evaporated milk, a significant component of the CSFP food package. As you know, we have used appropriated funds to purchase nonfat dry milk commercially and this has effectively precluded any program expansion in Fiscal Year 1990 despite the overall increase in program resources.

Mr. **Traxler**. Please provide a table showing for the past five fiscal years your projected v. actual caseloads for mothers, infants, and children, and the elderly, and your projected v. actual monthly food package cost.

[The information follows:]

COMMODITY SUPPLEMENTAL FOOD PROGRAM
AUTHORIZED CASELOADS VS. ACTUAL PARTICIPATION

	WOMEN, INFANTS AND CHILDREN		ELDERLY	
FISCAL YEAR	CASELOAD *	PARTICIPATION	CASELOAD *	PARTICIPATION
1985	173,410	139,078	N/A	19,421
1986	159,747	138,029	43,444	23,253
1987	154,513	136,463	75,992	56,216
1988	165,755	130,848	80,000	81,787
1989	179,539	147,212	112,794	92,224

* REFLECTS FINAL AUTHORIZED CASELOAD FOR THE CASELOAD CYCLE.

AVERAGE MONTHLY FOOD PACKAGE COST
PROJECTED VS. ACTUAL

	WOMEN, INFANTS AND CHILDREN		ELDERLY	
FISCAL YEAR	PROJECTED	ACTUAL	PROJECTED	ACTUAL
1985	$19.72	$14.50	--- *	$9.66
1986	16.54	13.80	--- *	8.93
1987	15.15	14.45	10.01	9.39
1988	14.18	14.95	9.23	9.50
1989	14.91	16.24	9.83	11.27

* In Fiscal Years 1985 and 1986 food package costs were not projected for the elderly pilot projects.

Mr. **Traxler**. What would it cost in fiscal 1991 to maintain the January 1990 actual participation?

Mrs. **Nelsen**. Our Fiscal Year 1991 budget assumes that $62.9 million will be needed to support caseload levels of 165,092 women, infants and children and 106,754 elderly. Actual participation for January is not available at this time; however, officially reported participation for December was 161,451 women, infants and children, and 106,894 elderly. These caseload levels can be supported within our Fiscal Year 1991 Budget.

DONATED COMMODITIES

Mr. **Traxler**. There have been rumors that the Department will be acquiring additional supplies of nonfat dry milk and cheese in the very near future. What is your current projection?

Mrs. **Nelsen**. We expect that the dairy situation will ease as the year progresses and that we will purchase more nonfat dry milk this year. There may also be modest purchases of cheese in Fiscal Year 1990 but we do not know the precise amount at this time.

Mr. **Traxler**. What is the basis of this projection?

Mrs. **Nelsen**. We have seen a decrease in price for nonfat dry milk in the past two months. Dairy forecasters predict that additional products will become available at lower prices in the near future.

Mr. **Traxler**. Should you obtain these additional commodities, it would seem that you would have additional resources for fiscal year 1990. Could you then restore caseload for these operators?

Mrs. **Nelsen**. Caseload could not be restored to CSFP operators even in the event that nonfat dry milk is donated to the program. FNS was required to purchase nonfat dry milk and/or the more costly evaporated milk for CSFP for the first two quarters of Fiscal Year 1990. As a result of the milk purchases, funds that might have been used for expansion were expended.

Mr. **Traxler**. I understand that CCC has not purchased any nonfat dry milk in 2 years, and that there may be 50 million pounds available for acquisition so long as the purchase is made by July. How can you assume that you will have these commodities in hand for fiscal 1991?

Mrs. **Nelsen**. The Commodity Credit Corporation—CCC—has not purchased any nonfat dry milk since June 1988 except for a small amount purchased in February 1990. It is unclear at this time if CCC will offer any product under support as the commercial market is still strong at this time. Current market price is 85 cents per pound which is above the support price. The support price will remain at 79 cents until the end of December 1990, and the Department expects that we will acquire the product later in the year. Therefore, nonfat dry milk should be available from CCC in Fiscal Year 1991.

We will continue to closely monitor this situation.

Mr. **Traxler**. Cheese prices are currently between $1.44 and $1.80 per pound by the barrel. Yet USDA wants to pay only about $1.15. Does this mean that you will not have any cheese for CSFP in fiscal 1991?

Mrs. **Nelsen**. The commercial price for barrel cheese is currently $1.205 per pound and the current support price is $1.07 per pound. CCC is not buying cheese at this time, either barrel or process. Competitive market prices for process cheese now range from $1.445 to $1.805 per pound. USDA does project the acquisition of cheese this fiscal year that would be distributed in fiscal year 1991, but the situation is by no means certain.

Mr. **Traxler**. Is there any cheese in your $12 million projection?

Mrs. **Nelsen**. No, there is no cheese in the $12 million projection.

Mr. **Traxler**. You are predicting $12 million worth of commodities for donation to CSFP in fiscal 1991. What is the basis of your prediction?

Mrs. **Nelsen**. We estimated that $12 million worth of nonfat dry milk will be available for donation to CSFP in fiscal year 1991. Approximately 10.5 million pounds of milk will be needed to meet program needs. The budget used an estimated cost of about $1.14 per pound. Due to the recent price fluctuations in the cost and availability of nonfat dry milk, we will continue to closely monitor this estimate, and alert the committee to significant changes through the mid-session update in July.

In addition to nonfat dry milk, we anticipate that honey, cornmeal and butter will be available, at a value of about $12 million. However, the availability of donated commodities cannot be guaranteed.

Mr. **Traxler**. What assurances do you have that these commodities will be given to CSFP?

Mrs. **Nelsen**. The availability of donated commodities are dependent on the price support operations of the Commodity Credit Corporation, and therefore cannot be fully assured. However, as indicated in the President's Budget, CSFP will receive priority consideration for receipt of nonfat dry milk that becomes available during fiscal year 1991.

Mr. **Traxler**. What happens if these commodities are not available from CCC?

Mrs. **Nelsen**. Because nonfat dry milk is a part of the authorized food package in CSFP, if it is not donated by the Commodity Credit Corporation, we will purchase it.

Because cheese is a bonus food, when it is not donated, it is not purchased with CSFP funds.

Mr. **Traxler**. If you were to purchase a similar volume of commodities from the open market, what would be the cost?

Mrs. **Nelsen**. It is not possible to predict a cost at this time because it is dependent on market conditions at the time of purchase. The estimate of $12 million for 10.5 million pounds of nonfat dry milk in the President's Budget was based on a cost of $1.14 per pound.

CSFP EXPANSION

Mr. **Traxler**. Program operators asked for increases of 41,000 mothers, infants and children and 44,000 elderly compared to fiscal 1989 authorized caseloads. What would it cost to provide this increase in fiscal year 1991?

Mrs. **Nelsen**. We estimate this increase would cost about $23 million assuming that nonfat dry milk is donated to CSFP. I will provide estimates used in this calculation for the record.

[The information follows:]

	Women, infants, children	Elderly
Food cost/person	$17.51	$11.99
Times caseload	41,000	44,000
Cost per month	$717,910	$527,560
12 month's food cost	$8,600,000	$6,300,000
3 month's inventory	$2,200,000	$1,600,000
Administrative grants	$2,500,000	$2,200,000
Total cost	$13,300,000	$10,100,000

Mr. **Traxler**. What requests have been received by State offices and regional offices for new programs in fiscal 1991?

Mrs. **Nelsen**. The Department received and approved a State Plan from Ohio and we are aware of serious interest on the part of Texas, Pennsylvania, and Missouri.

SITE VS. STATE

Mr. **Traxler**. Will you revise your format for program review to deal with programs on a site specific rather than a State-wide basis? I know that CSFP operators have asked you to move in this direction. If not, please explain why you will not.

Mrs. **Nelsen**. As a general matter, we do not plan to alter our policy in order to deal with programs on a site specific basis as it relates to start-up of new operations. We will look at how our approach affects local programs, particularly new programs, and explore the possibility of giving States greater latitude to handle these situations.

While it is the responsibility of FNS to provide oversight of State agencies, the State agency is responsible for the implementation and operation of the CSFP throughout the State. A part of this responsibility is the assignment and management of caseload for local sites where benefits are most needed.

CSFP ADMINISTRATIVE FUNDS

Mr. **Traxler**. The Administration's Farm Bill proposal suggests that there be no administrative funds for commodities donated for use in CSFP. Why should administrative funding be treated differently depending upon whether the commodity was purchased or donated for use in CSFP?

Mrs. **Nelsen**. Our proposal would provide administrative funds for distributing all commodities whether they were purchased or donated. We would, however, base the amount of administrative funding on the appropriation request, with a higher percent for administrative funds in order to compensate for the added value of donated and bonus commodities. As a result, our proposal is cost neutral. This funding level will be reliable and will allow local sites to develop a stable foundation for CSFP operations. By awarding a fixed CSFP administrative grant at the beginning of the year, operators will know how much money they have to spend instead of relying on earning funds from the distribution of donated commodities, which may or may not be available.

Our decision was based solely on our concern that CSFP operators receive a set administrative figure that they can count on, and that the amount be comparable to the current administrative allotment. Therefore, we propose a straight 20 percent of appropriated funds for administrative costs.

Mr. **Traxler**. Does your budget request assume administration dollars for the projected $12 million CCC donation?

Mrs. **Nelsen**. Our fiscal year 1991 assumes that the value of commodity donations will total about $24 million; $12 million for free substitute foods—that is, donated foods that are part of the entitlement food package and would otherwise be purchased—and $12 million for bonus foods. The budget request includes administrative funding equal to 15 percent of the estimated value of donated commodities.

Mr. **Traxler**. Some program operators suggest that a flat 15 percent or a 20 percent administrative funding level does not help small program operators who have not developed economies of scale. They suggest that there should be a minimum dollar amount for administrative funds. How do you assess this claim?

Mrs. **Nelsen**. We are not aware of this concern on the part of small program operators, but we would be glad to look into this if you or the operators would provide more information.

Mr. **Traxler**. As you know, there is interest in increasing the administrative funding formula from 15 percent to 20 percent of the dollars appropriated for the purchase of food plus the value of donated commodities. How much would we have to increase the fiscal 1991 appropriation in order to accommodate this increase based on your projected caseload, the 1989 caseload, and the caseload increase requested by program operators?

Mrs. **Nelsen**. This increase in administrative funds would shift program resources away from the support of food purchases.

We will provide for the record the cost estimates.

[The information follows:]

Approximate administrative cost increase from fiscal year 1991 budget request of $62.9 million

1. Allow 20 percent of appropriation plus 20 percent of value of donated foods as administrative funds for Fiscal Year 1991 projected caseload level	$6,000,000
2. Allow 20 percent of appropriation plus 20 percent of value of donated foods as administrative funds for Fiscal Year 1989 caseload level	12,000,000
3. Allow 20 percent of appropriation plus 20 percent of value of donated foods as administrative funds for Fiscal Year 1991 projected caseload level increased by expansion and elderly initiation requests of current program operators—41,000 women, infants and children and 44,000 elderly as specified by Mr. Traxler	31,000,000

SERVICE TO THE ELDERLY

Mr. **Traxler**. Have you received any requests for elderly-only programs this year?

Mrs. **Nelsen**. We have received two requests, from Missouri and the Cherokee Nation of Oklahoma, for elderly-only programs this year.

Mr. **Traxler**. To the extent that you will allow elderly programs only after mothers, infants, and children are adequately served, why will you not consider the existence of effective WIC programs in areas where CSFP elderly service is requested?

Mrs. **Nelsen**. CSFP legislation gives clear priority to service for women, infants and children. We recognize that there may be local areas in some States which have succeeded in reaching all women, infants and children. However, very few WIC State agencies, even those which also have CSFP, are able to fully reach 100 percent of their eligible women, infants and children population. To allow elderly only CSFP would divert resources to provide benefits to women, infants and children still in need of the supplemental nutrition benefits from either WIC or CSFP.

Mr. **Traxler**. Will the Department continue to oppose greater service to the elderly in CSFP?

Mrs. **Nelsen**. The Department does not oppose greater service to the elderly in the CSFP. The Department is committed, in accord with program legislation, to maintain the priority of service to women infants, and children in the program. To this end, CSFP regulations establish an order of caseload assignment to ensure that currently participating State agencies receive caseload to maintain service for women, infants, children and elderly, and then to expand services to women, infants, and children, before additional caseload is assigned for elderly service. The only exception is that first the three elderly feeding pilot project sites receive caseload to maintain their December 1985 participation levels. This order of assignment does not thwart greater service to the elderly; rather, it targets available resources toward the neediest elements of the eligible population that should have priority access to CSFP benefits.

Mr. **Traxler**. In the past, the Department has suggested that food stamps is an adequate program of assistance to the elderly. What percentage of income-eligible elderly actually receive food stamps?

Mrs. **Nelsen**. About 35 percent of eligible elderly individuals and 39 percent of eligible elderly households participate in the Food Stamp Program. These participants receive half of the benefits that would go to the elderly if all eligible elderly participated.

While the Food Stamp Program is the foundation of nutrition assistance efforts, it is only one of thirteen different programs designed to serve the nutritional needs of low-income Americans, including the elderly. This array of assistance programs indicates a large commitment to assisting all needy individuals.

Mr. **Traxler**. What is the average monthly benefit for elderly food stamp recipients?

Mrs. **Nelsen**. In the summer of 1987—the most recent time for which data are available—households with elderly members received an average monthly food stamp benefit of $48, compared to $138 for households with no elderly. The difference in the averages is primarily due to the fact that households with elderly tend to have higher per capita incomes and tend to be smaller than the average food stamp household. Per-person benefits averaged $32 a month for households with elderly and $46 a month for households with no elderly.

Mr. **Traxler**. If an elderly person were to try to purchase the food package provided by CSFP in a grocery store with food stamps, how much would it cost?

Mrs. **Nelsen**. The maximum food package available to the elderly in the CSFP would cost approximately $28 if purchased in grocery stores. This is a rough estimate because it is difficult to obtain precise retail prices of many of these commodities. This retail value is comparable to the retail cost of the average WIC food package. The cost of commodities in the average CSFP elderly food package is approximately $16.

Mr. **Traxler**. Last year we discussed a study that was initiated regarding the operation of the elderly CSFP programs in Detroit, New Orleans, and Los Angeles. What is the status of this study?

Mrs. **Nelsen**. The study report is under review. We anticipate release of the report this summer.

The CSFP does not operate in Los Angeles. The study examines several USDA programs that serve the elderly, including the Food Stamp Program, Nutrition Program for the Elderly, and the Temporary Emergency Food Assistance Program. Los Angeles was included for reasons unrelated to CSFP.

Mr. **Traxler**. Last year you suggested that the study would be completed in 1989, and that there might be further research as a result of the study. Have you come to any conclusions on the need for further research?

Mrs. **Nelsen**. The study is complete and provides a wealth of information. Due to its timing, the study was unable to look at adult participation in the Child and Adult Care Food Program. We plan to initiate a study of Adult Day Care in the near future. In addition, the Elderly Programs Study is helping to focus attention on elderly issues in ongoing and planned studies of participation and application processing. Apart from the Adult Day Care study, we have no additional plans for new research on the elderly this fiscal year. We expect to consider further research on the elderly when preparing the fiscal year 1991 research plan.

COMBINING CSFP WITH FOOD DONATIONS PROGRAMS

Mr. **Traxler**. You are proposing to put the CSFP budget in as part of the Food Donation programs. Why? What does this accomplish?

Mrs. **Nelsen**. The Department proposes to place CSFP with the food donation programs account to combine programs with benefits that are based on the purchase or donation of commodities. This is similar to the combined accounts in the Child Nutrition Programs. While the fiscal integrity of each program is maintained, combining the account provides some flexibility to meet individual program needs by minor shifts of funds from one program to another when necessary.

These programs have different target populations, but CSFP and the food donation programs for selected groups share the similarity that benefits are based on commodities which are either purchased by the Department or secured as donations from Commodity Credit Corporation inventories. External market conditions, especially large or limited surpluses, affect the commodity programs in similar ways. Combining these programs into one account will make it easier to respond to program needs.

Mr. **Traxler**. Some people have the impression that food products for CSFP are surplus foods. While that may be partially the case, isn't it true that food products for CSFP are ordered to specific nutritional requirements?

Mrs. **Nelsen**. Authorized foods for CSFP were selected specifically to supply high levels of protein, calcium, iron and vitamins A and C. These nutrients are essential to human growth and development and are known to be frequently lacking in the diets of low-income women, infants and children. Included among the commodity foods required to be provided in CSFP food packages are nonfat dry and evaporated whole milk, dried egg mix, canned poultry and meats, vitamin-C rich fruit and vegetable juices, iron-fortified infant formula, iron-fortified infant cereal and adult cereal, peanut butter and dried beans or peas.

To aid farmers, USDA purchases food under price-support and surplus-removal legislation and makes this food available through the Department's food distribution programs, including CSFP. To address the special nutritional needs of CSFP participants, USDA has a responsibility to purchase these foods on the open market when they are not available as surplus commodities.

Mr. **Traxler**. How many other food donation programs have their commodities ordered to nutritional standards?

Mrs. **Nelsen**. The only food donation programs that have their commodities ordered to nutritional standards are the Food Distribution Program on Indian Reservations and the CSFP.

WIC PROGRAM—INFANT FORMULA REBATES

Mr. **Traxler**. We are very much aware of the fact that WIC directors are getting infant formula rebates. How does the price you pay for infant formula compare with the price provided to WIC after rebates?

Mrs. **Nelsen**. In fiscal year 1990, the average price of infant formula for the WIC Program was estimated at about $1.64 with average rebate of $1.16 per can, yielding an average cost of 48 cents per can. CSFP negotiates infant formula prices on a quarterly basis. In fiscal year 1990, the negotiated prices range from approximately 61 cents to 80 cents per can of infant formula.

Mr. **Traxler**. Please provide for the record a table showing the amount of rebate per can of formula by State, and the expiration date of these rebates.

[The information follows:]

TRA40.QA

WIC INFANT FORMULA REBATES
GEOGRAPHIC STATE AGENCIES
MARCH 1, 1990

State Agency	Current Rebate(s)	Contact Expiration Date	Type of Procurement
Alabama	$ 1.412 (R)	9/30/91	C
Alaska	1.017 (MJ) .930 (R)	9/30/90	OM
Arizona	.995 (R) 1.017 (MJ)	8/31/90	C
Arkansas	1.117 (R) 1.119 (MJ)	9/30/91	OM
California	1.567 (R)	12/31/91	C
Colorado	1.118 (R) 1.111 (MJ)	9/30/90	C
Connecticut	.997 (R) 1.017 (MJ)	4/30/90	OM
Delaware	1.493 (MJ)	4/30/92	C
D. C.	1.493 (MJ)	4/30/92	C
Florida	1.122 (W)	11/30/90	C
Georgia	1.378 (MJ)	9/30/91	C
Idaho	1.017 (MJ) .930 (R)	9/30/92	OM
Illinois	1.223 (R) 1.235 (MJ)	1/31/92	C

Indiana	1.508 (MJ)	1/31/91	C
Iowa	1.090 (R) 1.017 (MJ)	9/30/90	OM
Kansas	1.173 (MJ) 1.061 (R)	3/31/92	C
Kentucky	.997 (R) 1.022 (MJ) .975 (W)	6/30/90	OM
Louisiana	1.090 (R) 1.022 (MJ)	9/30/93	OM
Maine	.997 (R) 1.017 (MJ)	5/31/91	OM
Maryland	1.493 (MJ)	4/30/92	C
Massachusetts	1.460 (MJ)	6/30/91	C
Michigan	1.514 (MJ)	9/30/92	C
Minnesota	1.394 (R)	6/30/91	C
Missouri	1.090 (R) 1.017 (MJ)	9/25/91 9/30/90	OM
Montana	.997 (R) 1.017 (MJ)	6/30/90	OM
Nebraska	1.017 (MJ) .930 (R)	9/30/91	OM
Nevada	1.162 (R)	9/30/90	C
New Hampshire	.997 (R) 1.017 (MJ)	9/30/91	OM
New Jersey	1.343 (R)	12/31/90	C

New Mexico	.930 (R) 1.017 (MJ)	9/30/91	OM
New York	1.363 (R)	1/31/92	C
North Carolina	1.090 (R) 1.017 (MJ)	9/30/91	OM
North Dakota	.997 (R) 1.017 (MJ)	6/30/91	OM
Ohio (40% of SA is retail)	.930 (MJ) .930 (R)	9/30/93	OM
Oklahoma	1.220 (R)	4/30/90	C
Oregon	.712 (W)	11/30/91	C
Pennsylvania	1.322 (R)	9/30/93	C
Rhode Island	1.403 (MJ)	9/30/91	C
South Carolina	.503 (R) .516 (MJ)	9/30/93	OM
South Dakota	1.090 (R) 1.017 (MJ)	9/30/93	OM
Tennessee	1.49 (MJ)	2/29/92	C
Texas	1.248 (MJ)	9/30/90	C
Utah	.333 (R) .339 (MJ) .92 (C)-powder only	9/30/92	OM
Virginia	1.088 (R) 1.017 (MJ)	2/29/92	OM

Washington	1.017 (MJ)	5/31/90	OM
	1.014 (W)		
	.997 (R)		
	.500 (LL)		
West Virginia	1.017 (MJ)	9/30/90	OM
	.997 (R)		
	.920 (C)-powder only		
Wisconsin	1.075 (MJ)	5/1/90	OM
	1.035 (R)		
Wyoming	.912 (R)	3/31/93	OM
	.678 (MJ)	9/30/91	

KEY:

R= Ross
MJ= Mead Johnson
C= Carnation
LL= Loma Linda (soy based products only)
W= wyeth

C= Competitive bids
OM= Open Market

WIC INFANT FORMULA REBATES
TERRITORIAL AND INDIAN STATE AGENCIES
3/1/90

State Agency	Current Rebate(s)	Contact Expiration Date	Type of Procurement
Cherokee (NC) (Eastern Band)	$ .678 (MJ) .620 (R) .920 (C)-Powder .39 (C)- Ready to Feed	9/30/90 1/31/91	OM
Cherokee (OK)	.678 (MJ) .664 (R)	9/30/90	OM
Cheyenne River (SD)	.678 (MJ) .620 (R)	9/30/90	OM
Chickasaw (OK)	.678 (MJ) .620 (R)	9/30/90	OM
Choctaw (OK)	.678 (MJ)	9/30/90	OM
Five Sandoval (NM)	1.046 (R) .678 (MJ)	9/30/90	OM
ITC/Arizona	.620 (R) .678 (MJ)	9/30/90	OM
ITC/Nebraska	.664 (R) .678 (MJ)	6/30/90	OM
ITC/Oklahoma	.678 (MJ) .620 (R)	9/30/90 12/31/90	OM
Navajo (AZ)	.678 (MJ) .664 (R)	9/30/90	OM
Potawatomi (OK)	.678 (MJ)	9/30/90	OM
Puerto Rico	.45 (R) .15 (MJ) .10 (W)	10/31/90	OM

Rosebud Sioux (SD)	.664 (R) .678 (MJ)	9/30/90	OM
Shoshone/Arapahoe (WY)	.678 (MJ) .664 (R)	6/30/90 9/30/90	OM
Seneca Nation (NY)	.678 (MJ)	6/30/90	OM
Standing Rock Sioux (ND)	.620 (R)	11/30/90	OM
Three Affiliated Tribes (ND)	.664 (R)	9/30/90	OM
Tonkawa (OK)	.678 (MJ) .664 (R)	9/30/90	OM
Ute Mountain (CO)	.678 (MJ) .664 (R)	7/31/90	OM
Virgin Islands	.35 (R) .15 (MJ) .10 (W)	10/31/90	OM
WCD (OK)	.678 (MJ) .664 (R)	9/30/90	OM
Zuni (NM)	.678 (MJ) 1.090 (R)	9/30/90	OM

KEY:

R= Ross
MJ= Mead Johnson
C= Carnation
LL= Loma Linda (soy based products only)
W= Wyeth

C= Competitive bids
OM= Open Market

Mr. **Traxler**. Please provide a table showing the amount of rebate dollars collected by State, and the number of additional people served as a result of the rebate.

Mrs. **Nelsen**. I will provide a table showing the amount of rebate dollars collected by State and number of additional people served per month as a result of the rebate in fiscal year 1989. The rebate savings, however, are not final at this time. Final data will be available in April.

[The information follows:]

WIC PROGRAM - REBATE SAVINGS AND ADDITIONAL PARTICIPANTS SERVED

STATE AGENCY	ACTUAL REBATE SAVINGS FOR FISCAL YEAR '89	ADDT'L. PATICIPANTS PER MONTH SERVED W/'89 SAVINGS
NERO		
CONNECTICUT	$1,262,322	2,134
MAINE	473,475	921
MASSACHUSETTS	3,288,141	6,713
NEW HAMPSHIRE	140,839	268
NEW YORK	21,773,310	45,079
RHODE ISLAND	371,395	674
VERMONT	0	0
INDIAN TOWNSHP	0	0
PLEASANT POINT	0	0
PENOBSCOT	0	0
SENECA NATION	1,206	2
SUBTOTAL	27,310,688	55,791
MARO		
DELAWARE	438,859	826
DIST COLUMBIA	752,410	1,875
MARYLAND	2,040,706	4,057
NEW JERSEY	6,008,263	12,822
PENNSYLVANIA	16,219,190	38,300
PUERTO RICO	0	0
VIRGINIA	3,710,931	7,907
VIRGIN ISLANDS	0	0
WEST VIRGINIA	798,938	1,566
SUBTOTAL	29,969,297	67,353
SERO		
ALABAMA	10,623,102	25,682
FLORIDA	19,122,903	46,244
GEORGIA	14,672,485	36,314
KENTUCKY	6,485,780	14,494
MISSISSIPPI	0	0
N CAROLINA	10,357,387	23,461
S CAROLINA	2,054,624	4,363
TENNESSEE	10,095,200	23,852
SEMINOLES	0	0
MICCOSUKEE	0	0
CHOCTAW, MS	0	0
E. CHEROKEE	0	0
SUBTOTAL	73,411,481	174,410
MWRO		
ILLINOIS	6,176,714	14,172
INDIANA	6,213,244	14,651
MICHIGAN	7,300,856	15,414
MINNESOTA	4,590,046	11,598
OHIO	0	0
WISCONSIN	4,343,363	9,938
SUBTOTAL	28,624,223	65,773

WIC PROGRAM - REBATE SAVINGS AND ADDITIONAL PARTICIPANTS SERVED

STATE AGENCY	ACTUAL REBATE SAVINGS FOR FISCAL YEAR '89	ADDT'L. PATICIPANTS PER MONTH SERVED W/'89 SAVINGS
SWRO		
ARKANSAS	5,728,739	12,429
LOUISIANA	5,596,606	11,395
NEW MEXICO	2,252,491	4,250
OKLAHOMA	2,424,571	4,723
TEXAS	31,001,454	72,023
ACL, NM	0	0
8N PUEBLO	0	0
ISLETA	0	0
SANTO DOMINGO	0	0
5 SANDOVAL	0	0
SAN FELIPE	0	0
WCD, ENT	0	0
CHOCTAW, OK	0	0
CHEROKEE	85,016	162
CHICKASAW	0	0
TONKAWA	0	0
POTAWATOMI	0	0
ZUNI	0	0
ITC	0	0
SUBTOTAL	47,088,877	104,982
MPRO		
COLORADO	3,315,715	7,933
IOWA	2,342,777	5,470
KANSAS	1,372,567	2,817
MISSOURI	8,318,864	17,555
MONTANA	137,974	264
NEBRASKA	0	0
NORTH DAKOTA	806,250	1,891
SOUTH DAKOTA	854,845	1,835
UTAH	0	0
WYOMING	333,066	749
SHOSH/ARA	6,210	11
UTE MTN	1,127	2
WINNEBAGO	0	0
CHEYENNE RIVER	0	0
ROSEBUD	0	0
STANDING ROCK	0	0
FT BERTHOLD	0	0
SUBTOTAL	17,489,395	38,527

WIC PROGRAM - REBATE SAVINGS AND ADDITIONAL PARTICIPANTS SERVED

STATE AGENCY	ACTUAL REBATE SAVINGS FOR FISCAL YEAR '89	ADDT'L. PATICIPANTS PER MONTH SERVED W/'89 SAVING
WRO		
ALASKA	0	0
ARIZONA	437,158	814
CALIFORNIA	48,196,268	107,619
GUAM	0	0
HAWAII	0	0
IDAHO	0	0
NEVADA	1,285,029	2,957
OREGON	2,355,996	5,388
WASHINGTON	2,449,422	4,539
ITCN	0	0
MANNILAQ	0	0
NAVAJO NATION	0	0
ITCA	208,939	415
SUBTOTAL	54,932,812	121,732
NATIONAL	$278,826,773	628,568

Rebate savings are based on the WI-120 report dated 2/20/90. This report does not include final rebate amounts for the entire fiscal year.

Participants served with rebate savings was calculated by dividing the rebate savings by the total monthly costs (food and admin.) per person for FY '89 as reported on the WI-129 report dated 2/22/90.

Mr. Traxler. We understand that some States will be unable to spend all of their rebate dollars. Which States might they be, and how many dollars will they be returning to you?

Mrs. Nelsen. Legislation allows State agencies different levels of carryover authority depending on their status in conducting cost containment procedures. All States may carry over 1 percent of their total grant, and State agencies with cost containment procedures may carry over 5 percent of their food grant in the first year of the cost containment initiative and 3 percent in the second year.

Although we do not yet have final reported expenditure data for fiscal year 1989, we have done some estimation on State agency exercise of the carryover authority and the amount of unspent funds remaining. A total of 23 State agencies still had about $14 million in unspent food funds remaining after each was allowed to retain its proper carryover authority amount. I will provide a list of those States.

[The information follows:]

State agency:	*Estimated unspent food funds net of carryover*
Vermont	20,000
Indian Township	1,500
Pleasant Point	2,000
Maryland	250,000
New Jersey	2,400,000
Puerto Rico	1,000,000
Alabama	3,500,000
Florida	1,600,000
Kentucky	500,000
Mississippi	800,000
North Carolina	600,000
South Carolina	300,000
Tennessee	2,000,000
Louisiana	63,000
Oklahoma	296,000
Colorado	270,000
South Dakota	34,000
Standing Rock	30,000
Fort Berthold	2,000
Guam	60,000
Nevada	275,000
ITCN	25,000
Navejo Nation	400,000
Total	14,428,500

Mr. Traxler. If States cannot spend all of their rebate dollars, what do you believe this means for the ability of States to utilize any increase in the WIC Program? I am sure you know that there are some encouraging us to provide increases over your budget request.

Mrs. Nelsen. Infant formula rebates have generated dramatic participation increases in the WIC Program in a relatively short period of time. A few States may be having difficulty increasing their WIC caseload using rebate funds. However, the majority of States have been able to spend all of the funds generated from infant formula rebates.

Mr. Traxler. I am amazed at the size of the rebates. I am concerned that they cannot last, and that there will be a time in the future when we will have to increase the appropriation to maintain the total caseload of the program. What is your assessment of the future of these rebates?

Mrs. **Nelsen**. Section 123(a)(6) of Public Law 101–147 amends the Child Nutrition Act of 1966 to require that every State which uses a retail purchase food delivery system implement a competitive, sealed-bid infant formula rebate system unless the State can demonstrate to the satisfaction of the Department that equal or greater food cost savings can be achieved through an alternate arrangement. Currently, 24 competitively-bid rebate contracts and 48 open-market contracts are in place.

The Department anticipates that most States will solicit bids for a single-source infant formula rebate contract through a comparative system involving bids for both competitive and open market systems. The State will select the option resulting in the lowest net price for infant formula. Historically, the single-source infant formula rebate system has always generated the greatest savings when States have used comparative solicitations.

However, Mead-Johnson Nutritionals, a subsidiary of the Bristol Myers Corporation, has just informed several States that it does not intend to offer a bid of more than 75 cents per 13-ounce can of concentrated infant formula on either type of rebate system. The information also indicates that Mead-Johnson will not enter into contracts for more than one year, and that no cent-for-cent price increase options, traditionally included to allow for inflation will be accepted in at least some Mead-Johnson contracts. The standard minimum open-market bid has been 93 cents per can of 13-ounce concentrate; competitive sealed bids have been considerably higher.

Given the close historical trends in wholesale prices among the formula manufacturers, the Department believes that other infant formula companies may be planning to adjust their rebate offers downward as well.

Mr. **Traxler**. I am also amazed at the size of the rebate compared to retail prices for infant formula. Could you tell me what is the lowest after rebate price a State is paying per can, the average price that a State is paying, and the average retail price for this formula?

Mrs. **Nelsen**. USDA does not have State specific data on current retail prices of the infant formula purchased in the program. The fiscal year 1990 budget assumes an average shelf price of about $1.64 for a 13-ounce can of concentrated formula. Rebates currently range from 31 cents to $1.56 per can. Thus, using the assumed average shelf price, States may be paying between 8 cents and $1.33 per can of infant formula.

Mr. **Traxler**. What has happened to the retail price of infant formula since the rebate program began?

Mrs. **Nelsen**. USDA does not have, at this time, reliable data on the retail price of formula purchased in the program. We will be examining this issue. FNS's data on wholesale prices of infant formula indicates that average wholesale infant formula prices have increased almost 26 percent since the rebates began in June 1987. For the three year period preceding the implementation of the first rebate system, average wholesale formula prices increased almost 29 percent. This would appear to indicate that rebates have not affected formula manufacturers' pricing practices. When compared to the rate of increase for the Thrifty Food Plan (TFP), however, formula price increases have been greater than the average increases for all foods. Since June 1987, the TFP has increased by about 12.5 percent, as compared to the 26 percent increase for wholesale infant formula prices.

NUTRITION STANDARDS

Mr. **Traxler**. Assistant Secretary Bertini, I wrote to you in January regarding concerns I have about the manner in which the Department of Health and Human Services is attempting to ignore your statutory role on human nutrition matters, including nutrition guidelines. I have not had a response to this letter as of yet. What is happening in this situation? Is it true that HHS is doing what it can to ignore your role in this matter?

Ms. **Bertini**. Your response was mailed on March 6. You should receive it shortly. In this response, I thanked you for noting the Subcommittee's support for USDA's role in human nutrition information policy. Your letter went on to ask about the activities of the Dietary Guidelines Advisory Committee. Current Federal nutrition policy is expressed in the Dietary Guidelines for Americans. This has been USDA's position since the Guidelines were issued. DHHS' continued support of the Guidelines as the expression of Federal nutrition policy was clearly stated in the Surgeon General's Report on Diet and Health published in 1988.

On January 18, 1989, a memorandum of understanding on joint procedures in relation to the new Dietary Guidelines Advisory Committee was signed by USDA's Assistant Secretary for Food and Consumer Services and DHHS' Assistant Secretary for Health. This document states that "Nutrition and Your Health: Dietary Guidelines for Americans" 2nd edition, expresses the concepts used as the basis for the food and nutrition education activities carried out by USDA and DHHS. The establishment of an Advisory Committee to review the Guidelines reflects the commitment of the Departments to providing sound current dietary advice to Americans. USDA and DHHS have jointly established this Committee and selected the members and are jointly maintaining the Executive Secretariat. When the work of the Committee is finished, they will report their recommendations for revision, if any, of the Dietary Guidelines and the text accompanying the Guidelines to the Secretaries of USDA and DHHS. It is the role of the two Secretaries then to revise, if necessary, the Guidelines and to reissue them.

USDA has taken seriously its assigned responsibility as the lead Agency in providing the policy basis for nutritional guidance. We have worked to carry this out through coordination with other Federal Agencies, primarily DHHS.

There are some differences in interpretation of the agencies roles. One source of these differences is the language from our respective authorizing committees. Your Subcommittee has affirmed that "USDA is the lead agency for human nutrition research and dissemination except for biomedical aspects of human nutrition concerned with diagnosis or treatment of disease." However, the Appropriations Subcommittee for the Departments of Labor, Health and Human Services, and Education, and Related Agencies has included "prevention of disease" in the last phrase. Since much dietary guidance may be regarded as being directed toward the "prevention of disease," the relative roles of DHHS and USDA can become unclear.

Mr. **Traxler.** Are the nutrition guidelines in current draft form unfairly treating sugar as a matter of nutritional concern, while giving silence to artificial sweeteners, notwithstanding the public's concern about safety of chemical food additives?

Dr. **Heimbach.** The treatment of sugar and other caloric sweeteners in the current draft of the recommendations for text of the Dietary Guidelines bulletin reflects reviews and recommendations in scientific reports such as the National Academy of Science's Diet and Health Report and DHHS's Surgeon General's Report and comments from dental authorities, nutrition educators and industry groups representing sugar, candy and artificial sweeteners. In making its decisions, the Dietary Guidelines Advisory Committee gives advice it believes to be scientifically supportable and clear and useful to the public. The current draft of the committee recommendations, still under discussion, suggests "Use sugars in moderation." The text further clarifies that "sugars" refers to all caloric sweeteners, e.g., corn sweeteners, glucose, maltose, etc. It also suggests that artificial sweeteners be used in moderation, if at all.

Mr. **Traxler.** I understand that HHS or at least some officials of the Department may be trying to rewrite portions of the Farm Bill with respect to USDA's role on human nutrition. Is this true? Please provide the Committee with copies of any written materials on this matter. I understand that a letter has been submitted by HHS.

Dr. **Heimbach.** To the best of our knowledge, DHHS has not attempted to rewrite portions of the Farm Bill with respect to USDA's role on human nutrition. In an early list of possible Administration proposals for the 1990 Farm Bill, USDA considered proposing that the report language repeatedly used by your subcommittee be legislatively established by including it in the Farm Bill. The language would have affirmed that USDA, in coordination with DHHS, is the principal Federal agency with respect to issuing dietary guidance directed to the general public, except for biomedical aspects of nutrition related to the diagnosis or treatment of disease. DHHS objected to this proposal, viewing it as a shift in responsibilities. The issue became moot when it was not selected for inclusion among the Administration's Farm Bill proposals.

I will submit for the record, a copy of our proposal and the DHHS objection.

HEADING

Dietary Guidance

ISSUE

The need to clarify the Department's leadership role in establishing the policy basis for dietary guidance directed to the public and in ensuring that the Federal Government speaks with one voice in issuing the most accurate available dietary guidance information to the general public.

BACKGROUND

The Section 1405 of the Food and Agriculture Act of 1977 designates the Department as "the lead agency of the Federal Government for human nutrition research" and recognizes the establishment of a nutrition education program within the Department. However, the Department's position as the lead agency for providing dietary guidance to the general public is not clearly stated. Consumers are often confronted with confusing, inaccurate information about food and its relationship to health.

Congressional conference reports accompanying the last several years' appropriations bills have referred to the Department as the principal Federal agency, in coordination with the Department of Health and Human Services (DHHS) and others, in the study and dissemination of human dietary guidance information. As stated, the Department is expected to provide the policy basis for issuing Federal nutritional guidance to the healthy American public and is expected to ensure that the Government speaks with one voice in issuing the most accurate available nutritional information. In 1988, the Department was directed to establish, in coordination with DHHS, a new Advisory Committee to review the Dietary Guidelines for Americans. Establishing periodic reviews for the Dietary Guidelines would be required in proposed nutrition monitoring legislation currently pending in Congress.

The issuance of dietary guidance by Federal agencies has received and will continue to receive much attention from the Congress and its constituents. Such guidance has received broad-based support from professional, commodity, and trade associations.

RECOMMENDATION

Propose that the Department be designated as the principal Federal agency, in coordination with DHHS, for establishing the policy basis for dietary guidance and in ensuring that Government speaks with one voice on such matters. This will strengthen through legislative language the Department's leadership role in providing accurate and useful information about food and diet to the public.

BUDGET IMPACT

None.

DEPARTMENT OF HEALTH & HUMAN SERVICES

Public Health Service

Office of the Assistant Secretary
for Health
Washington DC 20201

JAN 23 1990

URGENT

NOTE TO DAVID GIBBONS

Subject: Provisions of the 1990 Farm Bill

I am told that you are the appropriate person with whom to raise HHS' strong objections to what we understand are two provisions proposed by USDA to the 1990 Farm Bill. First, we understand that USDA proposes to append the provisions of H.R. 1608 (Nutrition Monitoring and Related Research) to the bill. We have opposed enactment of this bill because it is administratively cumbersome and it provides for veto of Federal dietary guidance by either USDA or HHS Secretary. Second, USDA proposes to establish itself as the principal Federal agency for dietary guidance, "in coordination with" HHS. Given Congress' repeated insistence that HHS agencies, like the National Cancer Institute and the National Heart, Lung and Blood Institute, take lead responsibility for educating the public about dietary means to reduce the risk of disease, we feel that any step to establish a USDA lead is objectionable and inappropriate.

Please have someone phone me prior to OMB's action in response to USDA's request (245-7611).

J. M. McGinnis, M.D.
Deputy Assistant Secretary for Health
Director, Office of Disease Prevention
and Health Promotion

Mr. **Traxler**. To what extent have you been consulted?

Dr. **Heimbach**. We kept DHHS informed of our draft proposals and they kept us informed of their positions.

Mr. **Traxler**. Please provide for the record an itinerary of all meetings held in the last year on the nutrition guidelines, as well as the role of USDA vis-a-vis HHS as the lead agency for nutrition, detailing USDA's role in each of these meetings.

Dr. **Heimbach**. The Dietary Guidelines Advisory Committee (DGAC) was appointed jointly by USDA and DHHS to make recommendations about the revision of the 1985 edition of the bulletin presenting the Dietary Guidelines. The DGAC has held three meetings: April 5-6, 1989; August 10, 1989; and January 10, 1990. The April and January meetings were held at USDA and the August meeting at DHHS. All meeting were announced in the Federal Register and were open to the public. USDA and DHHS each provides an executive secretary; together they arrange meetings and provide support to the Committee, as requested.

In addition to the public meetings, the Committee has held several telephone conferences and has reviewed materials submitted for their consideration by over 90 organizations and individuals.

The Committee was established under a USDA Departmental Regulation. Written comments from the public can be sent to the Committee through the executive secretaries. USDA is responsible for financial arrangements for the committee including travel and recording of meetings. USDA provides clerical support for the Committee and retains Committee records.

USDA will reproduce and distribute to interested parties the Committee's report to the Secretaries of USDA and DHHS, which will contain recommended text for the third edition of the bulletin and discussion of changes proposed. Both Departments will review the Committee recommendations as a basis for decisions about the content of the published bulletin.

Within the USDA, the Dietary Guidance Working Group, chaired by HNIS, meets monthly to review materials prepared for publication by any USDA agency. A liaison member from DHHS sits on this committee. Similarly, a USDA representative attends the regular meetings of DHHS' Dietary Guidance Subcommittee.

Mr. **Traxler**. Is it necessary for us to resurrect language we used in the appropriate measure two years reaffirming your role in nutrition matters?

Dr. **Heimbach**. Reaffirming the HNIS role in appropration language seems most appropriate.

Mr. **Traxler**. Today's Washington Post leads with a story regarding HHS moving to standardize food labeling through FDA, an agency also within the jursidiction of this Subcommittee. To what extent had USDA been consulted before this announcement?

Dr. **Heimbach**. USDA has been informed by FDA about only one aspect of their proposal for mandatory nutrition labeling—the revision of the U.S. Recommended Daily Allowances to reflect the most recent changes of the Recommended Dietary Allowances by the National Academy of Sciences (NAS). We learned about the other provisions when the Food Labeling plan was announced.

Mr. **Traxler**. Some express concern that labels that express percentage content of fat and other food items will be misleading to consumers. For example, if people are told that no more than 30% of their total food intake should be fat, then they will avoid any food item which individually exceed the recommended percentage. As a result, we could have people following the proper nutritional theory in the wrong fashion. What is your feeling about this issue, and what is USDA doing about it?

Dr. HEIMBACH. If people apply the 30 percent of calories from fat to individual food items they could likely receive the wrong nutritional message and eliminate all foods that are higher in fat from their diet. Foods, such as dairy products and meats, that are sources of fat may be excluded. It would be unfortunate if these foods were eliminated because they are good sources of calcium, iron, and zinc—nutrients that are low in the diets of many Americans. In our nutrition education messages we have emphasized that Americans should not eliminate meat and dairy products from their diets in an effort to reduce their fat intake because these foods are important sources of nutrients. We provide suggestions on how to use lower fat versions of these foods and lower fat methods of preparing these and other foods.

Members of the expert panel on food labeling assembled by the National Academy of Sciences under contract with DHHS and USDA, as well as other investigators, have recognized the possibility that labeling fat, protein, and carbohydrates in percent of calories may tend to promote this type of behavior. We have expressed our concern to the panel, pointing out that the ability of consumers to use label information in planning a total diet may be facilitated if the information is presented instead in additive form, i.e., number of grams or number of calories of fat, protein, and carbohydrates, which allows consumers to add up the content of several foods.

In our dietary guidance, we stress the total diet concept. This means that one should consider the amounts of all food components in the average daily intake rather than focusing on a single food component or on one food or one meal. There are no "good" foods and "bad" foods. Any food can fit into a healthy diet as long as the total day's intake is considered.

Mr. WHITTEN. Mr. McHugh?

Mr. McHUGH. Thank you, Mr. Chairman. I would like to join with the Chairman and Mrs. Smith in welcoming you and thanking you for the work that you do. These are important programs and, as you can tell, there is bipartisan support for them.

SCHOOL LUNCH PARTICIPATION

Following, Ms. Nelsen, on the conversation with Mrs. Smith about the school lunch program, I think we all would agree in principle with the approach. It makes a great deal of sense to eliminate subsidies for upper income families and increase the subsidy for the lower income families. The problem is that what we found in the early 1980s when there were some cuts at the top was that the participation fell off to such an extent that some of the school districts reported that they had to close down their school lunch programs. Of course, the effect of that was to totally eliminate the program for the low income students that we all agree should be served. This is a very inexact art, as you said, in terms of attempting to predict what will happen, but I wonder if your department has any statistics at all that might give us some reassurance that if, in fact, we eliminate the subsidy for these upper income families, that it will not effect the economy of scale to such an extent that we will, in fact, see these closings of the program? Again, we can't expect precision from you, but because there is uncertainty there is uneasiness, at least on the part of some of us, that in fact this is what will happen given the experience of the early 1980s. Is there anything that you have by way of data that might bolster the speculation about what might happen here?

Mrs. NELSEN. Mr. McHugh, we have some data. It is not terribly exact. I have asked for it several times and have received some. I would like to share what I have with you for the record and in response to the question. But because it is a very serious matter, I want to make sure it is absolutely accurate. I will submit that to you for the record.

Mr. MCHUGH. Good. I would appreciate that.

[The information follows:]

EFFECT OF THE OMNIBUS BUDGET RECONCILIATION ACT OF 1981 [OBRA] ON MEALS SERVED AND SCHOOL DROPOUT

Approximately 1,800 fewer schools participated in the National School Lunch Program (NSLP) in the fall of 1981, following passage of OBRA. This represented a 1.9 percent decline in the number of participating schools, from 92,933 to 91,151.

Of the 1,800 fewer schools, about 300 were due to school closing or consolidations. Another 500 were private schools that were legislatively prohibited from participation by the $1,500 annual tuition limit enacted under OBRA. Approximately 1,000 were public schools which left the program due to changes enacted in 1981.

USDA resurveyed 900 school districts that have been part of the National Evaluation of School Nutrition Programs in order to determine more about the number of schools that discontinued the program and their characteristic. Of the districts surveyed, eight, or approximately 1 percent, dropped some or all of their schools from NSLP.

Schools which dropped the program were located in more suburban and affluent areas. They have a higher proportion of paid students and lower proportions of minority students. And a number of schools which dropped the program indicated that they continued to provide free meals to eligible children.

In the first year after passage of OBRA, free participation declined from 10.6 million to 9.8 million. The first year's decline of 800,000 can be attributed to the combined effects of several factors, including:

A 1.6 percent decline in enrollment which resulted in appoximately 170,000 fewer free meal recipients.

A change in free eligibility from 125 percent of poverty with a standard deduction, to 130 percent of poverty with no standard deduction. This resulted in about 460,000 fewer free meal recipients.

Improvements to program integrity, such as income verification procedures, which required submission of Social Security Numbers for all adult household members on all free and reduced-price meal applications.

Mr. MCHUGH. It will be helpful I think in terms of what we ultimately do here.

Mrs. NELSEN. When you receive that report you will notice that when the change occurred in the early 1980s, there were a number of other things going on and that's why we can't give you a great deal of exactness. School age children were dropping in sufficient numbers that some schools were actually closing. Closing a school lunch program may have been a result of the whole school having closed. So it is hard to isolate the factors, but we will tell you, as best we can, what the historical experience was.

Mr. McHugh. As I understand what you said earlier, part of your estimate is based upon the expectation that more low-income students will participate with greater subsidy. Do you know offhand or do you have information at the department as to what the participation level is now of those low-income students? Is there considerable room to expand their participation?

Mrs. Nelsen. There is some ability to expand in the reduced price lunch. But I think that is part of this answer that I need to give you for the record so you can reflect upon it and perhaps you can use that opportunity to ask some additional questions after you get this. And we can do some work with you if you are interested in pursuing this.

[The information follows:]

Increases in Participation by the Near Poor

The increase in the reduced price reimbursement and decrease in the maximum price from 40 cents to 20 cents are likely to cause reduced price participation to increase. Two effects are anticipated: (1) more households are likely to apply for and participate in the program, and (2) currently eligible children are likely to participate more frequently.

The effect of more frequent participation is likely to be small because children approved for reduced price meals currently participate at high rate. The impact of additional applicants is difficult to estimate because USDA does not have a great deal of information on the response of current non-applicants to changes in prices. As a result, USDA did not estimate any participation effects, and the figures submitted in support of the President's Budget do not include costs for increased participation.

Mr. McHugh. This is basically an authorization issue. I don't anticipate that we will be dealing with it exclusively or even primarily here, but it is something in which we are very much interested.

AVAILABILITY OF BONUS COMMODITIES

The other problem we understand the schools are having is that the bonus commodity supplies are way down because we don't have the surplus food that we did, cheese being an obvious example. Do you have any evidence or numbers as to how many school districts have had to increase their school lunch prices because of a lack of bonus commodities? What kind of an impact, in other words, is this having in real terms for these school districts, do you know?

Mrs. Nelsen. We have not noticed any drop in participation from increased cost.

Mr. McHugh. But there have been increased costs?

Mrs. Nelsen. At the margin some, but there has not been a drop in participation and I think that is the critical issue. It is hard to say that if you don't have cheese at a certain value that you are going to even have to increase your school lunch costs to meet that value. What you can do if you are a really creative food service director is substitute nutritional ingredients that will take the place of cheese but are lower cost. Beans and rice, for example, is a very good combination for protein just as cheese is.

Mr. McHugh. Yes, but kids don't like it as much. I mean you have the cheese components in tacos and pizza and other things which tend to be more attractive to children.

Mrs. Nelsen. But the participation rate has not dropped.

Mr. McHugh. Well, that is important, obviously.

Mrs. NELSEN. I think that is very significant. The other important point on this commodity issue in school lunch is that we have continued to maintain, and Congress has generously supplied, the commodities that are called entitlement commodities and that are funded in the budget. So the bonus was sort of the icing on the cake, as you know, and really was not ever intended to be something that school districts would rely upon.

Mr. MCHUGH. I know, but they do anyway. In their minds at least that is a problem. Any data you have that you could make available to us on this question, I think we would appreciate it as well.

[The information follows:]

SCHOOLS' USE OF BONUS COMMODITIES

Beginning in 1981, schools received increased bonus commodities due to large surpluses of dairy and other products. In 1987, a peak level of 11 cents per meal was provided in part because of increased donations of red meat, a result of the 1985 Farm Bill. Since then, bonus commodities have been decreasing steadily. The reduction in bonus commodities is the result of successful changes in agricultural support policy directed by the Farm Bill of 1985 and an aggressive bonus distribution policy. Drought, other weather, and natural disasters have also reduced the amount of surplus commodities available.

Data are not available to isolate program effects of decreased bonus commodities. However, if bonus policy was to have an effect, it should be in paid meal participation levels: prices would increase and paid participation would decline.

A review of historical data does not show an obvious participation effect. Paid lunch participation since 1982 has increased, while bonus commodities have remained stable and then started to decline. Other measures of program activity, such as the number of schools in the program and enrollment in schools offering school lunches, have also increased in recent years while bonus commodity levels have declined.

WIC PARTICIPATION

Mr. MCHUGH. I noticed in your discussion of WIC, which, as you correctly said, is a very popular program for reasons which relate to its success, you indicated that with the numbers you are proposing for this year we would be meeting 90 percent of the eligibles.

Mrs. NELSEN. Pregnant women. Ninety percent of the eligible pregnant women.

Mr. MCHUGH. Pregnant women.

Mrs. NELSEN. And 100 percent of the infants up to the age of one, and about two-thirds of all eligibles across the board. So that means children up to the age of five. Remember, too, that this program is targeted to those who are at nutritional risk. We have other programs to meet the needs of healthy low-income persons, especially in the area of commodities.

Mr. MCHUGH. Okay. Because the number I heard, and I didn't understand precisely to what it was applying, but even two-thirds is a higher number than I have heard before. The highest number that I have heard of all of the eligibles is 60 percent. In any case, I guess we all agree that to the extent it is feasible within the budget, it would be good to be able to reach more of the eligible population. As you know, the Administration has generally requested in the last couple of years a current services number. I understand that your number this year approximates current services. We have increased the appropriation modestly each of the years so that we try to pick up some additional eligibles who aren't being served. I assume that if the budget permits, you would have no objection to that on the merits of the program?

Mrs. **NELSEN**. We also want to be very cognizant in working with the States to ensure that the programs can absorb the additional caseload. What has happened in the very recent past is that the money that was available from the rebates caused an increased client load that was considerable. And as you know, this program has a very important nutritional component, which I am sure Mr. Whitten is aware of, where there is actually face-to-face counselling on meeting nutritional needs of these people who are at risk. So this is not a program where you simply pass out food packages, because there is a face-to-face counselling component that goes with it. We have to be careful not to overload the system on that end.

Mr. **MCHUGH**. Well, I agree if that's the problem. My sense is that the States, generally speaking, also agree that this is an important program and that there is a willingness to respond if they believe that the Federal Government will provide additional resources. Obviously we don't have an infinite pie to spend, but this is a program where there is recognition on both sides that it is important and works and saves money in the long run. So hopefully we can do a bit better.

Well, thank you very much again for your work and for your presence here today.

Mr. **WHITTEN**. Mr. Skeen?

Mr. **SKEEN**. Thank you, Mr. Chairman. I want to add my voice of welcome to all of you. It has been a very enlightening program.

SCHOOL LUNCH—INCREASED COSTS

Let's go back to the school lunch program. I think you have done an outstanding job of illuminating what the problems are and so on. You mention that there has not been a reduction in participation. That's true but the costs have increased in the school districts, I can tell you, and I am sure that you are aware of it, and they are being picked up within the administrative costs of the schools rather than going to the program. Somewhere along the line we are going to have a convergence and a train wreck. It is of great concern to all of us that support the school lunch program because I think it has been a very effective program. But somewhere along the line, something is going to have to give. And the commodity costs themselves or the lack of the surplus commodities has driven these costs up in some school districts in my own State $20,000 to $40,000 a year, and that is pretty significant as far as our school systems are concerned because we are a low population State. So I think we are facing some problems.

FOOD STAMP—INSPECTOR GENERAL'S REPORT

I am concerned about the Inspector General's report about some of the abuse that we have had in the Food Stamp Program. I would like to cover a little of that ground with you, if I might. I think you do an outstanding job just to maximize the efficiency and to eliminate the fraud and abuse, but I don't know how you do that and do all the other things that we're asking you to. My questions are directed in that particular area. For instance, the Inspector General said there is a case of a $12 million overcharge in 10 different States that were attributed to administrative costs of the WIC program. We have identified $3.6 million in questionable administrative costs that were paid to two States. Who handles the enforcement within your division? Do you handle that or does the Inspector General? Who is in charge of recoveries and things of that kind?

Mrs. NELSEN. Mr. Skeen, I would like to ask George Braley, who is the Acting Associate Administrator, to respond.

Mr. SKEEN. I'd be delighted. You do such a great job, I don't know what you brought George for, but I finally figured it out.

Mr. BRALEY. For occasions like this, Congressman.

Mr. SKEEN. It is always great to feel needed, isn't it, George?

RECOVERY OF OVERCLAIMS

Mr. BRALEY. When problems like that are found, the Inspector General goes ahead and establishes a claim against the State and then we pursue that through our relationship with the State. So that as the Inspector General would complete an audit that found a misexpenditure of funding in any of our programs, the Food and Nutrition Service follows through to take action to collect those claims.

Mr. SKEEN. So you are actively involved. It is not left up to some other agency or the Inspector General or someone else? Your division is directly involved? With whom do you deal within the State?

Mr. BRALEY. We deal with the director of the particular program but we would also take a major concern up the line to the Commissioner, like the Health Commissioner in the case of a WIC problem, and I suppose potentially to the Governor if we were unable to get resolution.

Mr. SKEEN. Through their own Attorney General?

Mr. BRALEY. We wouldn't normally do that. Our attorney, if there were a need to, would probably deal with their attorney general's office.

Mr. SKEEN. I was trying to establish the line because you emphasize, and I think accurately, the whole success of the program depends on how you deal with States and these problems. They have their areas of problems with the Administration. But that's the chain?

Mr. BRALEY. Yes, sir.

Mr. SKEEN. I am also concerned about the use, and I think the Chairman alluded to it earlier, about this second currency problem—using Food Stamps as barter for drugs and things of that kind and the fraud of recipients in the delivery system fraud, and fraud by employees who administer the program. How extensive do you get into that when you have those complaints?

Mrs. NELSEN. Congressman Skeen, we have a very ambitious program, that is included in the Farm Bill, of steps that we wish to undertake and authorizations that we want to have, which I can provide to you following this meeting if you like so that I don't take up a lot of time to explain those to you.

[The information follows:]

Farm Bill Proposals to Combat Fraud and Abuse

The use of food stamps as a "second currency" results in benefit dollars being diverted from food assistance and undermines public confidence in the program. We will not tolerate this abuse. Our Farm Bill proposals to enhance Food Stamp Program integrity aim to reduce this problem by increasing penalties, tightening the store authorization process, denying authorization to types of stores most likely to violate program rules, and promoting the use of more secure benefit delivery systems. Our specific proposals are:

1) Authorize State agencies to use Electronic Benefit Transfer -- EBT -- technology in lieu of food stamps to deliver benefits. Criteria would be established in regulations to assure cost effectiveness and orderly implementation. EBT systems reduce opportunities to divert benefits, thereby helping to ensure that food stamp dollars are actually spent for food for needy families.

2) Clarify that fraud involving EBT system benefits is subject to the same penalties as fraudulent abuse of food stamps or authorization cards used to obtain benefits, thus deterring such fraud.

3) Permanently disqualify stores which accept food stamps for illegal drugs or firearms, without the option of levying a civil money penalty.

4) Require jail sentences of 2 to 15 years and fines up to $20,000 for first offenses using food stamps to buy illegal drugs, ammunition, explosives, or firearms or for illegally possessing $1,000 or more in food stamps. For subsequent offenses, jail sentences could be extended to 20 years and fines up to $50,000. At the option of the judge, community service could be substituted for the first offense. This option would not be available for subsequent offenses.

5) Require all retailers to submit social security and employer identification numbers so that stores permanently disqualified for accepting food stamps for illegal drugs or firearms would remain out of the program.

6) Increase maximum fines to $20,000 -- from $10,000 -- per violation for stores that traffic in food stamps.

7) Institute fines for unauthorized third parties who traffic in food stamps or accept food stamps for illegal items.

8) Establish fines for authorized retailers that accept loose $5 and $10 food stamps, thus making it more difficult for them to be accepted from recipients by an unauthorized third party and later used to purchase food at authorized stores by the third party.

9) Prohibit firms which are primarily wholesalers from participating in the program as authorized retailers, thus restricting the negotiability of food stamps as a medium of exchange in illegal transactions. Some unauthorized retailers accept food stamps which they then use to buy stock for their shelves from wholesalers which are authorized as retailers because they have a small retail trade as part of their business.

10) Require retailers to be authorized biennially so that current data on authorized firms will be available. Such data can be used to identify potential violators, including traffickers.

Finally, increasing penalties and tightening requirements will not be enough. Enforcement efforts must also be increased. Therefore, we propose to establish a strike team of government investigators to expose those who abuse the program, increasing existing staff devoted to this effort.

Mr. **Skeen**. I have got a lot of time. Go ahead if you want to.

Mrs. **Nelsen**. Okay. Because we have new proposals.

Mr. **Skeen**. You have new systems, as I understand it.

Mrs. **Nelsen**. That's right. We also have bipartisan support with these proposals from the Administration on fraud with Congressman Wyden, and also the Office of Inspector General in the USDA is supporting these proposals. Principally, what they do is increase the fines and penalties against retailers. You see, it is not the person on the street who abuses the use of those benefits who is so easy to get, but fraud wouldn't be possible unless there was a retailer who was a bad apple.

Mr. **Skeen**. They would have to have some compliance from somebody who handles them.

Mrs. **Nelsen**. That's right. So we want to work very aggressively with law enforcement people and our own inspectors to be able to get these folks out of the system.

Mr. **Skeen**. This is the provider end?

ELECTRONIC BENEFIT TRANSFER

Mrs. **Nelsen**. Yes, that's right, the retailers. The second thing we want to do, in addition to the fines and the penalties and what have you, is that we want to proceed aggressively past the demonstration point with these electronic benefit transfer demonstrations.

Mr. **Skeen**. Transfer systems.

Mrs. **Nelsen**. Yes.

Mr. **Skeen**. That was a question I would like to ask. How is that working, just a quick synopsis.

Mrs. **Nelsen**. There are two now currently operating and I saw the one in Maryland yesterday and I urge you to go and see that or send a member of your staff if you are interested. It is a very exciting program where the benefits are electronically transferred, debited and credited on a card that the client has. There is really no way to use that card except with a secret PIN number.

Mr. **Skeen**. So you are not swapping stamps or something. So you can't use it as currency. That takes them out of the currency loop.

Mrs. **Nelsen**. That's right.

Mr. **Skeen**. What's the cost?

Mrs. **Nelsen**. Well, that, of course, in a demonstration project is hard to say. Right now it is not cost-effective. But in the authorization language which we have proposed for the Farm Bill, we have as a requirement for expansion of this program that it be cost-effective. We think, especially if we can go to a system that includes other Government benefits on the same card, as the Baltimore project does, that we can bring the cost down under the current administrative costs. So we are looking forward to working with HHS and others in trying to make this project work.

Mr. **Skeen**. Is there any provision in your budget now for increased costs for this system?

Mrs. **Nelsen**. Yes. In fact, part of our budget increase of $5 million is because we need more staff years to monitor the demonstration projects and also to prepare for the time when States can get into this on their own. There is a tremendous interest on the part of States out there because this will get rid of all of that business of transporting food coupons, retailers having to stamp all these coupons, and carrying them to the bank.

Mr. SKEEN. It is a horrible system.

Mrs. NELSEN. That is right. It is sort of a dinosaur that we're still living with.

Mr. SKEEN. Especially from the standpoint if you are going to do anything about fraud and abuse.

Mrs. NELSEN. Yes. So we think EBT is the way to do.

Mr. SKEEN. I concur. I think you ought to use the technology.

Mrs. NELSEN. It needs a lot of work to make sure that we do it right. And that is what the demos will do for us.

Mr. SKEEN. Thank you. Let's go to Human Nutrition Information Service, if I might.

FOOD SAFETY INITIATIVE

I have noted with some interest that there is a proposed increase in your budget for the Agency's participation in the USDA Food Safety Data Initiative. I agree that the public needs to be provided with more information on associated risk in the foods that we consume and I am interested in the direction that you are taking in this particular study. I noted also recently that a FDA scientists stated that 98 percent of the cancer risk in our food comes from naturally occurring toxins. The report I have seen indicates that certain plants produce more naturally occurring toxins if they have not been treated with chemicals. With this in mind, I am curious as to whether or not the study that you have is broad enough to include that kind of work or that part of the spectrum?

Dr. HEIMBACH. As the study is currently planned, it does focus strictly on man-made and applied pesticides. The way the protocols are developed and the testing is done, it would certainly be possible to expand the program in the future in those directions. I am not an analytical chemist and I can't tell you what the prospects are for the Agricultural Marketing Service, who is doing the actual pesticide residue measurements, what the possibilities are for the future of them being able to measure accurately and reliably these naturally occurring compounds. To the extent that they can do that and provide the information to us, yes, we will have the capability of aligning that information with the information that we provide on intake data for the population and population subgroups for those chemicals as well as for pesticide residues.

Mr. SKEEN. We have had an awful lot of discussion here of late with other agencies in dealing with this problem of risk assessment on foods. My concern, being a food producer, is that we understand the full spectrum of food risk, whether it is naturally occurring toxins or whether they are applied materials that cause the problems.

Dr. HEIMBACH. I think this program is oriented toward exactly that concern, Congressman. One of the things, of course, that led to this program was situations such as happened with Alar last year where there is limited scientifically sound information available to the Federal Government to know whether the correct decisions are being made or not.

Mr. **Skeen**. Absolutely.

Dr. **Heimbach**. This program is a first step toward trying to get into place this portion of a total food safety package.

Mr. **Skeen**. Well we have a high level of concern. In my view, we have got the best and the safest and most wholesome food supply anywhere in the world. But then we are also the greatest food alarmist of any group in the world because we do lack good, basic scientific information on which we make some of these charges about toxins. If we are going to do this, and we are going to keep the populace at a high level of alarm—such as with Alar—I think we ought to include naturally occurring toxins as well as those that are man applied. I just hope that the spectrum of the study can include this.

Dr. **Heimbach**. I think that the capabilities are there. We're establishing a system that I think will be quite flexible. I would like to follow up on the comment that you made about us being somewhat alarmists. I think there's some truth to that, and as it happens this morning I was looking back over an old survey that was done at the Food and Drug Administration in 1980 when I was there, that was probing consumer concern with food safety then. At that time there was still a fair amount of concern on the part of consumers for the safety of food. But all of the concern was directed at artificial colors, because Red Dye No. 2 had just been removed, at artificial sweeteners, because of the saccharin situation and because cyclamates had just been removed from the market, and with nitrites in foods. There was zero concern at that point with pesticide residues. Now the concern is with pesticide residues, and we're not hearing much about these others.

Mr. **Skeen**. Well, let's go back to fluoridation. Maybe I'm too old. It seems to be a very popular pastime, and I'm mostly concerned about good basic scientific information and the agencies that deal with this as far as risk assessment in foods are concerned. And when we talk about having a program that does this kind of scientific research, I'd like for it to have a spectrum that's wide enough to include these kinds of things so we do have access to this kind of information. I commend your Agency on the way it's approaching the issue. If you've got room to provide this kind of flexibility, I would encourage you to do so. We'd like to back it up. Thank you all very much for your testimony.

Thank you, Mr. Chairman.

Mr. **Durbin** [assuming chair]. Mrs. Smith, you had a follow-up question?

Mrs. **Smith**. Yes, I just had one. Following up on what Mr. Skeen has just been saying, I can go back further than you can, Mr. Skeen. I can remember when the government came out and said don't eat cranberries, they'll cause you to have something or other. And then they came out with that just in the fall and nobody would buy cranberries for Thanksgiving. So those cranberry growers up in Massachusetts were going broke and their cranberries all rotted. And after Thanksgiving we found out you'd have to eat 600 pounds a day to get enough of whatever it was to cause whatever it was. So what did Congress do, Joe? Congress took your tax money to bail out those cranberry growers because we had let a lot of misinformation go out.

NUTRITION LABELING

So much for that. That wasn't my question. My question is in regard to the nutrition labeling. You know there's a big article in the Washington Post this morning. There was a big talk about it on the 7 o'clock news this morning. And what I am wondering is, why there was little or no mention of the USDA in all of this. Are they working closely with you? Were you consulted or informed or did you share in these proposals prior to yesterday's announcement? Are the different departments of the government coordinating this effort?

Dr. **Heimbach**. Let me state first that food labeling regulatory responsibility within the Department of Agriculture lies with the Food Safety and Inspection Service rather than with HNIS.

Mrs. **Smith**. Oh. And I'm going to ask Joanne Smith when she's back——

Dr. **Heimbach**. Nevertheless, from the non-regulatory point of view, yes, the departments have been very closely coordinating. That article is based, of course, on the speech that Dr. Sullivan made at the Food Policy Conference yesterday. And he, of course, was focusing upon the Department of Health and Human Services initiatives in this area. In point of fact, the food labeling hearings that have been held around the country were jointly sponsored by the Food and Drug Administration and the Department of Agriculture. There is a National Academy of Sciences panel that has been established to study labeling issues, and the coordinating committee for that panel includes both the Department of Agriculture and the Food and Drug Administration. So, yes, there is very close coordination between the two departments.

Mrs. **Smith**. Thank you very much, Mr. Chairman.

Mr. **Durbin**. Thank you, Mrs. Smith.

Assistant Secretary Bertini and panel, thank you for joining us. I had the Committee historians check into something. It seems that this Subcommittee was created in 1875. Mr. Whitten came shortly thereafter. It also appears in the record that he assumed the chairmanship of this Subcommittee in——

Mr. **Skeen**. If the Chairman will yield, I think we better extract that from the record.

Mr. **Durbin** [continuing]. That he came to chair this Subcommittee in 1949. We have also checked the record and found that there's never been a member as junior as I sitting in this chair. So you're witnessing a piece of history. And after my comment, it'll probably be my last opportunity.

There is an interesting thing about these food programs. I represent a district in downstate Illinois, fairly typical of the Midwest. It's a rural district by and large, only two cities with a population over 100,000. I've had hundreds of town meetings across the district. If I want to get the blood pressure of the people in those town meetings up to the highest possible level, we start talking about food stamps. I can't quite understand that. When this government spends billions of dollars on so many things the one thing that absolutely infuriates people is food stamps. I just wonder if it's in the same category as foreign aid. Those two programs will bring them around no matter what is going on outside the town meeting hall. I just wonder what causes it, if there's some psychology behind it. You probably found the same thing in Wisconsin when you served in the legislature there.

CHILD SUPPORT ENFORCEMENT

I have looked at one of your proposals here and I am a bit concerned about it. It's a proposal for legislation to change child support enforcement. First let me ask you this: At the present time, if a family does not cooperate with the Department of Public Aid or the State's Attorney Office in child support enforcement, can that family be cut off from AFDC payment in most states?

Ms. **Bertini**. Yes, the head of household can be, not the children. It is a requirement in the AFDC Program that they cooperate with the Child Support Enforcement Agency, and if they do not, and less than one percent do not, then the grant would be cut accordingly. So there would still be money available for the children but not the caretaker parent.

Mr. **Durbin**. I guess that's why it puzzles me. You're suggesting that if we can change the law and tell people that, if they don't cooperate, they could lose food stamps, there would be a dramatic change in the level of cooperation—so dramatic that we would see a $165 million increase in the income of those families and a corresponding drop in food stamp payments of some $50 million. Am I correct? Why is it that—is the prospect of losing food stamps for your children going to bring that one percent around? Is that what you're thinking?

Ms. **Bertini**. Well, I think it's more a question, Congressman, of having the facilities available to help the caretaker parent, usually the mother, to be able to find child support from the father or the absent parent. Currently, the way the child support system operates, AFDC families are automatically included in the child support enforcement system in the state, in Springfield, or wherever they would go. However, if you want to go in and you're not an AFDC client and you want to go in and have help from the Child Support Agency, you have to pay for that help and you have to queue up behind the AFDC mothers and others, the AFDC heads of households.

So this change would actually help provide a service to these families to help get the absent parent to pay the child support, so it's really much more of a service and a benefit than it is of a punitive thing to the mother.

Mr. **Durbin**. Let me read a sentence from the Budget Summary from your Department. "The Department of Health and Human Services requesting general authority for federal agencies to issue regulations requiring families to cooperate with child enforcement agencies in order to be eligible for federally funded means tested programs".

That doesn't come across as a benefit or service being offered to families. It comes across as a threat. If you don't cooperate in child support enforcement, you run the risk of not only losing your AFDC for the adults, but also losing any food stamp benefits for the children.

Ms. **Bertini**. No, only for the parent. It would be operated the same way as it does for AFDC under our proposals.

Mr. **Durbin**. And in most cases the AFDC payment for the adults is going to be worth significantly more than the food stamp allotment; is it not?

Ms. **Bertini**. It depends. It varies state to state because the AFDC numbers are state controlled as opposed to the food stamp numbers which are not.

Mr. **Durbin**. I guess it just puzzles me how adding this food stamp component is going to generate the kind of increase in child support compliance that you suggest and lead to the savings that you suggest. It's a little worrisome, too. Before I came to Congress, I had been involved in many of these family law cases and seen spiteful parents. I hate to think that there may be children who are held hostage due to the lack of cooperation on child support enforcement, particularly when it comes to something as basic as food. I worry about this.

Ms. **Bertini**. Congressman, more importantly, we think the children will be helped by the fact that we are providing a way that they can get the support from the parents. And, again, we are not proposing cutting the benefits to the children. We have also found—I think if you'll look at the AFDC Program—that we have found in that program this has been a large benefit to the families. It has not been punitive. I think we should look at the history because we are not proposing something new in terms of general operating procedure. It's only new for food stamps; it's not new in the social services operation.

And it's also something that is very helpful to so many of those mothers and custodial parents in the process. So rather than being punitive, it is a really strong support to help them.

Mr. **Durbin**. I guess I just don't see it that way, but go ahead.

Mrs. **Nelsen**. Congressman Durbin, the other piece of this is that the AFDC population is already covered by the federal law, and what we're asking for is that the service be available to the people who perhaps are working poor and on food stamps but not on AFDC. So it's the next group of people who we want to be able to have these services from the Child Support Enforcement Agency free of charge.

Mr. **Durbin**. And you're suggesting that in that situation, if they did not cooperate, the adults in the household would lose their allotment for food stamps?

Mrs. **Nelsen**. That's correct.

Mr. **Durbin**. And your premise is that the children would then go on without any diminution of benefits from the food stamps they are to receive?

Mrs. **Nelsen**. Well, actually what we have done is look at the incidence, the numbers of people who did not comply with the law and to the AFDC provision which is already in existence. We've extrapolated from those numbers and the low incidence of non-compliance that they found and we think that 1,700 people, adult family heads, would be sanctioned in our program—1,700 out of 600,000 eligible families. So first, it's a very small number, and second, there is a provision which says that if it's going to cause a terrible situation, that there can be an exception. In other words, if the mother tells the food stamp worker and the Child Support Agency that she fears for her life or the children will be harmed—perhaps the man is in town and he's going to start abusing the family if she were to go forward, then an exception is created. So we're not asking for any life-threatening situation to be visited upon this family.

But we are trying to provide encouragement to the parent, most of whom are women, who have not in the past been required to name the absent parent. And I think it's very critically important in this nation that we establish the right for every child to have two parents from birth onward because at some point in that child's life, and as an ongoing responsibility, it's important for both parents to be providing for that child.

Mr. DURBIN. I don't think anyone quarrels with that. I guess the real question I have is whether the vehicle should be food for children. That is how we'll put pressure on parents to cooperate.

Mrs. NELSEN. Well, we're not going to take food from children.

Mr. DURBIN. Well, I don't think you can argue that. If you're going to take food stamps away from the adults, there will be less food in that refrigerator when the child gets up in the morning. I'm sure we're going to explore this in more depth as we consider the——

Mrs. NELSEN. I'd love to have the opportunity to do that, please. I'll await your call.

WIC STUDY

Mr. DURBIN. Thank you. Let me ask you about the Tufts Survey. Are you familiar with it? Let me see if I can find a reference for it. This was a survey done by Dr. David Rush at Tufts University. It included, based on their 1986 research, some findings about the WIC Program. It became controversial when it appeared that there had been some editing of the report that was released by the Department. I don't believe the individual involved is in the position that he was at that time. That study was very complimentary as the testimony has been today, about the positive effects of the WIC Program. But there seems to have been some feeling, when it was released by the Department that it was overly complimentary.

Has that been resolved in terms of what the GAO had to say about the Department's release of that information?

Ms. BERTINI. Yes, sir. I think the key issue was that the beginning and the end of the survey contained some information with which the Department didn't necessarily agree and therefore didn't publish it. We appeared earlier—Birg Watkins, our Deputy Assistant Secretary—and said that when we commission reports in the future that we would intend to publish the entire report whether or not there were portions of it with which we disagree.

WIC PARTICIPATION

Mr. DURBIN. I have tried to follow the statistics today about the WIC program and the participation in it. That GAO study suggested that only 50 percent—less than half of those eligible—actually received benefits under the WIC program. Now that referred to 1986 figures, I believe. So you are suggesting today, if I heard you correctly, that about 65 percent of all those eligible are presently participating.

Mrs. NELSEN. What I said was if this budget is enacted that by 1991 we will be serving 4.7 million participants. That is ninety percent of all eligible pregnant women, all infants up to the age of one, and children. The total participation would represent about two-thirds of all eligibles.

Mr. DURBIN. Of our three high risk categories—and I won't go through them all because I think most people here are familiar with them—can you tell me how many people are presently not being served in the three highest risk categories under WIC?

Mr. BRALEY. We can try to do that for the record. I don't know that we collect the data. We collect data on women, infants, and children routinely, but not broken out according to the priority system. I can try to supply that for the record. But pregnant women and infants are in the highest priority categories generally. I think of the top three priorities, which are the medical type nutritional risks, we would have a very high percentage of eligibles in all three of those categories served. I will try to refine those figures for the record.

Mr. DURBIN. If you would, please.

[The information follows:]

ESTIMATE OF THE NUMBER OF UNSERVED PERSONS ELIGIBLE FOR WIC IN THE TOP THREE PRIORITY GROUPS

For WIC priority groups I, II and III, approximately 1.8 million women, infants and children are eligible for WIC but not enrolled in the program. Most of these persons are children, since WIC serves almost all eligible infants, and about 90 percent of the eligible pregnant women.

The most recent analysis of eligibles by priority group estimated about 5.4 million women, infants and children to be eligible for WIC in the top three priority groups. WIC served about two thirds of these high risk individuals, over 3.6 million, in August 1989, the most recent month for which participation by priority is available.

Mr. DURBIN. We tried to calculate it roughly based on some of the information we've been given. I admit that these percentages are bound to be off, but in the three highest categories, by rough calculation, we estimate that there were over a million eligible people in those categories who are presently not being served by the WIC program. I would like to see if your figures get close to that.

What effort is being made to serve these individuals? How are we trying to reach these people who presently aren't in the program? They may be tough to find, I am sure.

Mrs. NELSEN. Well, Congressman, we're making every possible effort and we're really targeting at pregnant women. Since we offer a food benefit to pregnant women, we think that is something that may be the carrot, if you will, to get them into the system. Then we are urging our WIC clinics across the Nation to work very closely with either local health departments and/or other medical facilities to get these women not only into WIC clinics but also into early medical care. The data shows that the earlier you get medical care, adequate nutrition, supplemental vitamins and what have you, that's the best way to increase birth weight and reduce infant mortality. So this program is critically important.

We also have a very significant initiative in the area of drug information. If we get folks into the WIC clinic for whatever reason, we want to be able to counsel them, advise them, and urge them and help them so that if they are drug dependent or alcohol dependent, we can also address that problem.

So the WIC program really offers a wonderful window of opportunity, if you will, to get needy pregnant women into a program that is going to be wonderful for their health care. So we view it as such and this is our highest priority. We are doing things with bilingual education, for example, posters, public relations kind of spots on the radio, and word of mouth. We are encouraging people to go out and tell us about others. So this is a very important part of this program.

ILLINOIS WIC PROGRAM

Mr. **Durbin**. If I can be a little parochial about my own home State of Illinois—and I believe Ms. Bertini lived there for a while, and maybe others are familiar with it—sadly, we have the highest infant mortality rate of any northern State. Unfortunately our Nation has one of the highest infant mortality rates of any industrialized country in the world despite all of our good efforts and despite all of these fine programs. It is curious to me, when you consider Illinois' situation with its high infant mortality rate, that the percentage of WIC funds coming to the State of Illinois really doesn't reflect this added need, doesn't reflect this crisis situation in our State. Would it be appropriate for us to add a State's infant mortality rate as a factor in WIC allocation?

Mr. **Braley**. Congressman Durbin, we include a number of factors in allocating funds to the WIC program. The first priority is to maintain caseloads as they have been assigned. We do look at infant mortality and the extent to which the eligible population is served in a State, if there are additional funds that are available to expand services in the program from year to year. I think we weigh infant mortality in that formula to some extent. It is possible we could look at that in terms of modifying the formula. Again, we can respond more fully for the record in terms of what we're doing in that area.

Mr. **Durbin**. I would appreciate that very much.

[The information follows:]

Illinois WIC Allocation

For Fiscal Year 1990, Illinois' allocation represents 3.95 percent of the total WIC funds allocated to State agencies. Infant mortality rates are a factor in the growth component of the food allocation formula. The growth component uses income and health factors to identify State agencies that are in need of additional funds to serve a larger proportion of their income-eligible women, infants, and children. Not all State agencies receive growth funds. Illinois was one of 43 State agencies (out of 86) that received funding through the growth component.

While the infant mortality rate in Illinois of 11.6 deaths per 1000 live births is one of the higher rates in the U.S., it is not the highest among Northern States. Both Delaware and the District of Columbia have higher rates.

Mr. **Durbin**. Some argue that we would serve more people and have a better program if it were entitlement and did not face the appropriations process. I think I know the answer but I would like to hear it for the record, if you or anyone else at the table would like to comment on that.

Mr. **Braley**. Yes, sir. There are people who argue for entitlement for the WIC program. Two of the things that the WIC program has as major selling points are that it is both a nutrition and a health related program, and the targeting of the benefits in the program is one of its virtues.

One of the things we're proudest of in the WIC program in recent years is the cost savings initiatives that have resulted from States efforts to cut infant formula costs through rebates. I think in an entitlement atmosphere, the incentive to look for ways to deliver a quality service at lesser cost might be reduced. The fact that the program is well targeted to those for whom the benefits have been demonstrated is a virtue of the program currently, and I think there is concern on the part of the Administration that some of that would be lost in an entitlement situation.

Mr. **Durbin**. I think that the record will indicate that this subcommittee played some role in that rebate from infant formulas. In my own State of Illinois, it has been substantial. It has resulted in more money being available to help needy people. In fact, I have heard some suggestions or rumors that the rebate program has been so successful that some States may end up with a surplus at the end of this fiscal year in their WIC program. Is there any possibility of that?

Mr. **Braley**. That may be a possibility. A lot of the rebate activity from past years has not resulted in significant or major surpluses. States are now allowed to carry over a small percentage of the funds they have from year to year. We haven't had big surpluses that have resulted in year end reallocations in the past couple of years. I would be surprised if there were large amounts of money that ended up in surplus.

Mr. **Durbin**. We will watch to see how that turns out.

Mr. **Braley**. We will supply the details for the record.

[The information follows:]

WIC Carryover Funds

Legislation allows State agencies different levels of carryover authority depending on their status in conducting cost containment procedures. All States may carry over 1 percent of their total grant, and State agencies with cost containment procedures may carry over 5 percent of their food grant in the first year of the cost containment initiative and 3 percent in the second year.

Final reported expenditure data for Fiscal Year 1989 is not yet available. The following is an estimate of the amount of unspent funds remaining after each State agency was allowed to retain its proper carryover authority amount.

Estimated unspent food funds—net of carryover authority

State agency:	*Thousands*
Vermont	$20.0
Indian Township	1.5
Pleasant Point	2.0
Maryland	250.0
New Jersey	2,400.0
Puerto Rico	1,000.0
Alabama	3,500.0
Florida	1,600.0
Kentucky	500.0
Mississippi	800.0
North Carolina	600.0

South Carolina	300.0
Tennessee	2,000.0
Louisiana	63.0
Oklahoma	296.0
Colorado	270.0
South Dakota	34.0
Standing Rock	30.0
Fort Berthold	2.0
Guam	60.0
Nevada	275.0
ITCN	25.0
Navejo Nation	400.0
Total	14,428.5

Mr. DURBIN. Mr. Skeen, do you have any other questions?

Mr. SKEEN. Nothing, sir.

Mr. DURBIN. Well, I hate to give up this chair, but I think I will. Mr. Conte and Mr. Watkins have some questions they would like answered for the record. Thank you all for coming.

CHILD NUTRITION BUDGET CUTS

Mr. WATKINS. Let me first say that I am opposed to your proposed child nutrition budget cuts for Fiscal Year 1991. The proposed cut of $516.6 million comes on top of a $300 million loss in USDA commodities to schools over the last few years. Our schools can't stand any additional burdens in the school lunch program area. The general subsidy assistance provided to the local programs assists schools to help defray the general costs associated with operating a school lunch program for all children.

Your proposals will make more children drop out of the program and if this is the case we will lose entire school lunch programs. It takes a base of paid and reduced lunch participants to help those that are on the extreme end of the poverty scale.

If the subsidy for the paying child is lost, most of the schools in Oklahoma would be unable to maintain a program for those receiving free and reduced price meal benefits.

Implementing your proposals of cutting kids from the program would be tragic at a time when our country needs to invest more in our children and develop a U.S. work force that can compete effectively throughout the world. Hungry children don't learn, and illiterate adults can't compete. This is one Member who will reject your proposals.

Have you looked at what kind of mix of paying, reduced and free recipients it would take to support the base of individual school lunch programs to a level that they might continue to operate financially sound?

RESPONSE. A combination of Federal subsidies, State and local contributions and revenues—primarily from children above 185 percent of poverty—provide the funds to operate the program. Our proposal shifts a greater share of the cost of supporting the lunch program to children from households with incomes over 350 percent of poverty—over $44,450 in Fiscal Year 1991 annually for a family of four.

The size of any decreases in participation among non-needy children would depend on how much of the lower Federal subsidy was passed through to students in terms of higher prices. If the entire 30 cents were passed on directly as price increases, the overall change in participation could be as much as 4 percent, depending on which study you base the estimate on.

The participation decrease is relatively small because only one-in-five children face a price increase. We anticipate there will be increased participation by children from families between 130 and 185 percent of poverty because the cost of their lunch will be reduced from 40 cents to 20 cents. Children who currently receive free lunch will not be affected by this proposal.

Mr. WATKINS. Does your budget include funds to replace the commodities supplied to school lunch programs that were cut as a result of government stockpiles being reduced?

RESPONSE. We are requesting full funding for entitlement commodities, but no funds to replace the loss of bonus commodities.

In fact, the Department has never requested funds for the purchase of bonus commodities. Bonus commodities are acquired by the Department as a result of agricultural surpluses and because market conditions change, the Department cannot count on their availability. By the same token, schools should not plan to have bonus commodities each year, and should not expect that they will be a continuing source of support.

WIC PROGRAM

Mr. WATKINS. What does the capability statement indicate for numbers of underserved Oklahoma women, infants, and children by the WIC Program as provided from information by the State of Oklahoma?

RESPONSE. The latest State-by-State eligibility estimates available to FNS are based upon 1980 census data. Using this data, it was estimated that the following number of women, infants, and children in the State of Oklahoma were eligible to participate in WIC:

Women	20,638
Infants	15,261
Children	55,997
Total	91,896

Note.—FNS' most recent data shows that the average fiscal year 1989 monthly WIC participation in Oklahoma was 42,708 women, infants, and childen.

ELECTRONIC BENEFITS TRANSFER DEMONSTRATION

Mr. WATKINS. What is the status of the Off-line Electronic Benefit Transfer Demonstration Program? I know that the State of Oklahoma has submitted a proposal and they wanted me to inquire as to the status of the project.

RESPONSE. The Food and Nutrition Service intends to competitively award a contract to a vendor who must work cooperatively with a State agency, grocers, and the financial community to test this technology. FNS released a request for proposals in June 1989. Proposals for the demonstration project were received on October 6, 1989 and are currently undergoing intensive technical evaluation. We expect to make an award by June 1.

We are doing everything possible to ensure the integrity of the acquisition process. Therefore, we are unable to comment specifically on any individual proposal.

FARMERS' MARKET DEMONSTRATION PROJECT

Mr. CONTE. What problems exist in the implementation of the Farmers' Market Coupon project?

RESPONSE. Currently, the foremost concern of the Food and Nutrition Service—FNS—regarding the implementation of the farmers' market coupon demonstrations is that project funds are taken from Women, Infants and Children—WIC—Program appropriations. We calculated that the $2 million used to fund the projects could have supported an additional 51,000 participants for one month. This assumes an average per person cost of about $39 for food and administratioin. Spending program funds on these demonstrations reduces the number of women, infants and children that can receive regular WIC Program benefits.

Financial Status Reports for Fiscal Year 1989 indicate that the majority of States are expending grant funds for the farmers' market demonstration projects at a level commensurate with projected participation levels. However, the participation levels in a few projects were lower than expected resulting in considerable amounts of unspent funds. These unspent funds may be carried over by the grantee for use in the 1990 project year.

FNS began a formal evaluation in 1989 to examine the operations and effects of the demonstrations. The study is being conducted in two parts, the process evaluation and the impact evaluation. The process evaluation, which collected data during the 1989 season, will examine the general management and accountability of the demonstrations. The impact evaluation will collect data during the 1990 season to examine the impacts of the demonstrations on both WIC recipients and farmers. Both phases of this study will form the basis of a report due to Congress by April 1991.

Mr. CONTE. For each State participating in the project, please list the dollar amount and the percentage of total program costs which goes toward administration of the Farmers' Market project.

RESPONSE. The Department has elected to permit all States to use up to 12 percent of grant funds for project administration, the maximum amount allowed by the authorizing legislation, the Hunger Prevention Act of 1988. However, the full cost of administering the farmers' market demonstration projects is not being captured in most States. All ten projects depend to some extent on in-kind contributions of staff and resources from State Departments of Agriculture and Health.

The total Federal grant amount and the portion of Federal grant funds available for administrative costs for each State during Fiscal Year 1990 follow:

	Federal grant amount	Administrative funds
Connecticut	$164,800	$19,776
Iowa	246,600	29,592
Maryland	52,200	6,264
Massachusetts	235,000	28,200
Michigan	115,800	13,896
New York	509,600	61,152
Pennsylvania	167,400	20,088
Texas	416,800	50,016
Vermont	40,800	4,896
Washington	51,000	6,120
Total	2,000,000	240,000

Mr. CONTE. For each participating State, please list the numbers of participants in the program and the average per-participant coupon value.

RESPONSE. For each farmers' market demonstration project, the number of persons to whom the coupons were issued and the average per participant coupon value for Fiscal Year 1989 are provided below. Most States based coupon issuance on the assumption that not all recipients would redeem their coupons, i.e., they issued coupons to more paticipants than could be supported by project funds had every coupon been redeemed. To make this information more meaningful, we have therefore included not only the average per participant value of coupons issued, but also the average value of coupons actually redeemed in each State during Fiscal Year 1989.

	Persons issued coupons	Average per participant value of coupons issued	Average per participant value of coupons redeemed
Connecticut	37,111	$10	$5.47
Iowa	25,019	17	12.08
Maryland	6,519	10	5.12
Massachusetts	38,552	10	5.93
Michigan	9,800	15	12.33
New York	61,818	10	9.64
Pennsylvania	13,492	20	12.18
Texas	56,728	16	13.19
Vermont	3,564	10	4.65
Washington	6,860	10	6.33
Total	259,643		

CATHERINE BERTINI

Assistant Secretary **October 1989 - present**
Food and Consumer Services
U.S. Department of Agriculture

Responsible for the development of national nutrition and consumer policies. Manages the Food and Nutrition Service which administers 13 domestic food assistance programs, including the Food Stamp, National School Lunch, Commodity Supplemental Food, and Women, Infants and Children (WIC) Programs. Also responsible for the Human Nutrition Information Service and the Office of the Consumer Advisor. Oversees a combined budget of more than $23 billion and a staff of over 2,000.

Acting Assistant Secretary **March 1989 - October 1989**
Family Support Administration
U.S. Department of Health and Human Services

Administered Federal programs focused on strengthening the family and increasing their self-sufficiency. These programs were Aid to Families with Dependent Children, Child Support Enforcement, Refugee Resettlement, and the Community Services programs. Directed implementation of welfare reform as embodied in the Family Support Act of 1988. Responsible for a staff of more than 1,000 and a budget in excess of $14 billion.

Director, Office of Family Assistance **September 1987 - March 1989**
Family Support Administration
U.S. Department of Health and Human Services

Directed the Aid to Families with Dependent Children (AFDC) program, the nation's largest cash assistance program serving nearly 4 million families with needy children. Managed all aspects including the policy, program evaluation, quality control and welfare-to-work activities which comprise AFDC.

Manager, Public Policy **1983 - 1987**
Container Corporation of America

Responsible for operation of the company's nationwide government and community relations, philanthropic functions, and all public affairs activities.

Manager, Regional/State Public Affairs **1977 - 1983**
Container Corporation of America

Other Government Service
- Commissioner, Illinois Human Rights Commission
- Commissioner, Illinois State Scholarship Commission
- Confidential Assistant, Office of New York Governor Nelson Rockefeller
- Legislative Aide, New York State Senate
- Ran two city and state government youth employment programs

Personal
- Fellow, Institute of Politics, JFK School of Government, Harvard University
- Bachelor of Arts degree from the State University of New York at Albany
- Received Distinguished Alumnae Award, State University of New York at Albany
- Married to Thomas Haskell

BETTY JO NELSEN

Administrator
Food and Nutrition Service — **January 1990 - present**
U.S. Department of Agriculture

Responsible for the planning, direction, coordination and control of the Federal food assistance programs which are centralized in the Food and Nutrition Service, United States Department of Agriculture. These programs include food stamps, food distribution, supplemental food for women, infants and children, school lunch, school breakfast, special milk, child care summer feeding and related nutrition activities. The budget of the Agency exceeds $23 billion.

State Representative
Wisconsin Assembly — **1979 - 1989**

Member of the Joint Finance Committee, responsible for developing state's $11 billion budget. Represented constituent interests.

Minority Leader
Wisconsin Assembly — **1987 - 1988**

Responsible for developing agenda for legislators with governor. Served on the Welfare Reform Commission.

Milwaukee Voluntary Action
Center Involvement Corps — **1976 - 1978**

Responsible for pilot program linking corporate sector volunteers with nonprofit agencies.

United Way of Greater Milwaukee — **1970 - 1976**

Chaired the Agency Evaluation Committee. Lobbied County Board for funding of Central Information and Referral System.

Milwaukee County Department of
Public Welfare — **1968 - 1971**

Served as chair of Volunteer Services.

Omaha Public Schools — **1957 - 1958**

Junior high school teacher.

Community Involvement

- A Better Chance, Milwaukee Chapter
- Shorewood Public Schools
- Future Milwaukee - A Community Leadership Program
- Wisconsin Correctional Services
- Milwaukee Management Support Organization
- Girls Scouts of Milwaukee Area, Inc.
- Goals for Milwaukee 2000
- American Red Cross, Greater Milwaukee Chapter

Personal

- Graduated Dedham, Massachusetts, Public High School
- Massachusetts State College, BS Education, major in food and nutrition
- Married to James R. Nelsen
- 3 children

STANLEY C. GARNETT

Stanley C. Garnett, has been administering food assistance programs for the last twenty-five years. He has been Acting Deputy Administrator for Special Nutrition Programs since May 1989.

Garnett joined the Food and Nutrition Service (FNS) in 1971 as a Food Program Specialist in the Child Nutrition Programs. He has held many positions in FNS over the years with an increasing degree of responsibility. Most of his early work was in the various Child Nutrition Programs in the legislative and regulatory areas. He was Assistant Deputy Administrator for Special Nutrition Programs for five years prior to assuming his current acting position.

Garnett was born October 28, 1937 in Kansas City, Missouri, where he grew up and attended school. Upon graduation from college in 1958, he taught school for several years in Kansas City. In 1962 he joined the Peace Corps and spent two years teaching english as a second language and doing community development work in the Philippines. Upon completion of his tour with the Peace Corps Garnett joined the Catholic Relief Services and spent the next six years administering food assistance programs in Southeast Asia and Sub-Sahara Africa, including administering refugee feeding programs in Vietnam during the Vietnam war and in Nigeria during the Biafran conflict.

Garnett and his wife have three children.

JAMES T. HEIMBACH

Biographical Sketch

Dr. Heimbach is the Associate Administrator of the Human Nutrition Information Service (HNIS), an agency of the U.S. Department of Agriculture. He has been the Acting Administrator since November 1988. HNIS activities which contribute to the National Nutrition Monitoring System include monitoring the food and nutrient content of diets of the American population, assessing dietary status and trends in food consumption, studying diet-health knowledge and attitudes of the public as they influence diet decisions and maintaining the National Nutrient Data Bank of the composition of foods. In addition, HNIS conducts methodological research and research on nutrition education techniques, and provides dietary guidance in food selection and preparation and in food money management.

Prior to joining HNIS in 1988, Dr. Heimbach was Head of the Consumer Research and Education Staff at the U.S. Food and Drug Administration (FDA), where he directed a program of consumer and survey research in support of FDA regulatory responsibilities and Public Health Service educational activities related to diet and health.

Before entering government service, Dr. Heimbach was a marketing executive at the Nationwide Insurance Companies. He has also served as Adjunct Professor of Marketing at George Washington University in Washington, D.C., where he remains a member of the Advisory Committee.

He has published numerous articles in the field of public health and in marketing, and is frequently consulted throughout the government on consumer and nutrition issues.

Dr. Heimbach received his B.S. in Mathematics from Haverford College, and his M.S. and Ph.D. in Consumer Psychology from Purdue University.

He is married and has two daughters.

UNITED STATES DEPARTMENT OF AGRICULTURE
Food and Nutrition Service

Statement by Catherine Bertini, Assistant Secretary
for Food and Consumer Services
Before the Subcommittee on Rural Development,
Agriculture, and Related Agencies

Mr. Chairman, I am Catherine Bertini. I am Assistant Secretary of Agriculture for Food and Consumer Services.

With me today are Betty Jo Nelsen, Administrator of the Food and Nutrition Service and Dr. James Heimbach, Acting Administrator of the Human Nutrition Information Service.

We appreciate this opportunity to appear before you to present the President's budget proposals for Fiscal Year 1991.

These two agencies together in Fiscal Year 1991 are requesting an appropriation of $23.9 billion. The Human Nutrition Information Service is requesting $10.7 million and the Food and Nutrition Service is requesting the balance.

HUMAN NUTRITION INFORMATION SERVICE BUDGET REQUEST

The Human Nutrition Information service contributes important research on the food Americans buy and eat, the level of nutrition we attain, how we make food choices and the safety of our food supply. The Human Nutrition Information Service is the lead Agency in the Federal Government for providing dietary guidance to the general public. This budget request continues the current level of research and promotion of dietary guidance, and includes an initiative to strengthen the Government's ability to respond to food safety concerns and to protect public health.

FOOD AND NUTRITION SERVICE BUDGET REQUEST

The Food and Nutrition Service helps low-income people to have an adequate and nutritious diet. The Agency also serves special target groups such as pregnant and post-partum women, infants, school children, Native Americans and the elderly.

This budget request will continue the food assistance programs. It represents our commitment to continue to support those less fortunate Americans who rely on the benefits our programs provide.

With your permission, Mr. Chairman, I would now ask Dr. Heimbach and Ms. Nelsen to make their presentations and then we will be pleased to answer any questions you or the other members of the committee may have. Thank you.

CATHERINE BERTINI

Assistant Secretary **October 1989 - present**
Food and Consumer Services
U.S. Department of Agriculture

Responsible for the development of national nutrition and consumer policies. Manages the Food and Nutrition Service which administers 13 domestic food assistance programs, including the Food Stamp, National School Lunch, Commodity Supplemental Food, and Women, Infants and Children (WIC) Programs. Also responsible for the Human Nutrition Information Service and the Office of the Consumer Advisor. Oversees a combined budget of more than $23 billion and a staff of over 2,000.

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Administered Federal programs focused on strengthening the family and increasing their self-sufficiency. These programs were Aid to Families with Dependent Children, Child Support Enforcement, Refugee Resettlement, and the Community Services programs. Directed implementation of welfare reform as embodied in the Family Support Act of 1988. Responsible for a staff of more than 1,000 and a budget in excess of $14 billion.

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-Commissioner, Illinois State Scholarship Commission
-Confidential Assistant, Office of New York Governor Nelson Rockefeller
-Legislative Aide, New York State Senate
-Ran two city and state government youth employment programs

Personal
-Fellow, Institute of Politics, JFK School of Government, Harvard University
-Bachelor of Arts degree from the State University of New York at Albany
-Received Distinguished Alumnae Award, State University of New York at Albany
-Married to Thomas Haskell

UNITED STATES DEPARTMENT OF AGRICULTURE
Food and Nutrition Service

Statement by Betty Jo Nelsen, Administrator
Before the Subcommittee on Rural Development,
Agriculture, and Related Agencies

Thank you Mr. Chairman. I am Betty Jo Nelsen, Administrator of the Food and Nutrition Service. I was sworn in by Secretary Yeutter on January 16. In keeping with your policies Mr. Chairman, I am submitting my biographical sketch for the record. I would like to introduce the staff members with me, all of whom have represented the Agency in the past, including George Braley, Acting Associate Administrator and William Boling, the Agency Budget Officer.

As the new Administrator of the Food and Nutrition Service, I bring a background as a State legislator, a teacher and a parent. My commitment is to work to improve the services to our clients by working with and being sensitive to the concerns of our partners, the State and local agencies, who implement our programs. The budget we have submitted is consistent with that pledge and cognizant of the limits on Federal resources.

The Fiscal Year 1991 Budget for the Food and Nutrition Service requests an appropriation of $23.9 billion. This budget request represents our firm commitment to fund benefits for low-income Americans and make modest recommendations to improve program targeting in the Child Nutrition Programs. It is a realistic budget reflecting an expansion of program payments including allowances for inflation as required by law.

By way of background I want to mention that the amounts appropriated by this committee for Fiscal Year 1990 have been reduced by $6.3 million as required by the sequestration order. Even with the austere budget situation, the Congress exempted most recipient and administrative payments in the Food and Nutrition Service from the impacts of the Gramm-Rudman-Hollings legislation.

FOOD STAMP PROGRAM

Adequate funding for a growing Food Stamp Program is a critical issue for us and for this committee. Frankly, Mr. Chairman, participation in recent months has increased faster than we would expect based on historical experience. The program has grown so large that even relatively small percentage changes in participation can have substantial consequences, compounding the difficulty of making precise forecasts. Uncertainty about continued food stamp funding is not good for anyone. It puts needy Americans at risk of having to do without food stamp benefits so vital to their well-being and makes the job of local, State and Federal managers more difficult as we approach the brink of having to reduce benefits.

In recognition of this uncertainty and the need to protect benefits for low-income Americans, the President has requested statutory language appropriating such sums as may be necessary to fully fund benefit payments to individuals for Fiscal Years 1990 and 1991. We are also seeking authority in our farm bill proposal to appropriate funds on a calendar year rather than a fiscal year basis. This would enable the Congress to continue funding for the program even in years when appropriations actions cannot be completed before the start of the Federal fiscal year. This approach is flexible enough to ensure that benefits to needy Americans continue to be available without interruption.

Our current estimates indicate that the amount required to meet State food stamp needs through the end of Fiscal Year 1990 could range from $375 million to $510 million more than the $14.8 billion available to the Food Stamp Program. Even the low end of this estimate would require appropriations above the level authorized by Section 18 of the Food Stamp Act of 1977, as amended.

Our Current Law Budget Request for Fiscal Year 1991 is $16.0 billion compared to the appropriation of $14.8 billion for the current fiscal year. I would like to call the Committee's attention to the major changes that have occurred to the various cost estimates contributing to a rise of nearly $3 billion over a 2-year period.

In 1989 and 1990:

- Average participation could reach 19.6 million instead of continuing to decline as was projected last year at this time.

- Food costs, measured by the Thrifty Food Plan, serve as a basis for computation of food stamp allotments. This cost measure had risen to $325 for a family of four in June of 1989. This base was increased by 2.05 percent, as required by the Hunger Prevention Act of 1988, establishing a maximum benefit of $331 beginning last October. For Fiscal Year 1991, the Budget projects an increase in the maximum benefit to $344 which includes an increase of 3 percent above the Thrifty Food Plan as required by law.

- Other program costs including State Administrative Expenses, employment and training programs and printing and shipping costs for food coupons have all added to the rising cost of the program due to inflation.

The Food Stamp Program requires reauthorization for Fiscal Year 1991, and we will be working with the authorizing committees to revise and strengthen the current program to assure that benefits are available for all eligible people and that food stamps, intended for the purchase of food, are not diverted to other purposes. In addition, two legislative proposals appear in the budget and are intended to: 1) ensure that the opportunity for single parent families to receive child support payments from absent parents is maximized; and 2) assure that costs are fairly and evenly allocated in our Employment and Training Program.

- The first proposal is to ensure that single parent households attempt to obtain child support from absent parents through the Office of Child Support Enforcement. This proposal is estimated to increase program participants' income by $165 million and reduce Food Stamp Program costs by $50 million in the first year of implementation.

- The second of these proposals will cap the currently open-ended Government support for administrative costs of employment and training above the basic grant at an average of $12.50 per person per month. This will avoid the potential replacement of current State-funded activities by Federal employment and training funds. This proposal will enable us to support program costs and reduce administrative expenses by $20 million in Fiscal Year 1991.

PUERTO RICO

The President's Budget proposes to replace this grant with a fiscal assistance program for Puerto Rico under the Social Security Act. This proposal would consolidate the administration of public assistance programs under the Department of Health and Human Services.

CHILD NUTRITION PROGRAMS

An appropriation of $5.1 billion is requested, under current law, for the Child Nutrition Programs in 1991. This is an increase of over $200 million above the appropriation for Fiscal Year 1990. These increases, together with carry-over funds, will cover the costs of our best estimate of program growth and increases in the per-meal rates of assistance required by the basic legislation.

Legislation will be proposed to treat children participating in the family day care program the same as children participating in day care centers by requiring an income test to determine eligibility for subsidized meals. Currently, an income test applies only to families of the children enrolled in day care centers. This proposal will save an estimated $281.2 million.

We are also proposing legislation to increase the subsidy in the School Lunch Program for children from families near the poverty level and to eliminate

Federal support for meals served to children from families with incomes of more than 350 percent of poverty or about $42,000 per year for a family of four. These two School Lunch proposals would reduce the projected program costs by $181.1 million in Fiscal Year 1991.

Included in the budget are the appropriations required by the Child Nutrition and WIC Amendments of 1989. These include increases in the Summer Food Service Program to reimburse meals served by non-profit private sponsors and 15 staff years for monitoring to provide management oversight of the program.

CHILD NUTRITION FEDERAL REVIEW INITIATIVE

We are grateful for the support of this committee for the Federal Review initiative designed to identify and assist those schools with problems managing their school lunch programs to file accurate claims for Federal support. This effort is estimated to cost $5.6 million in 1991 and will enable the Department to effectively implement a unified review system. We expect recoveries and cost avoidance in 1990 to be well in excess of the $3.6 million appropriated. We believe that follow-up by Federal and State employees, working together with the local districts, is beginning to eliminate the problems which led to overpayments found by the Office of the Inspector General and this Agency in past years.

SPECIAL MILK PROGRAM

The budget requests $19.3 million, which together with a carryover of $2.9 million will fund free and paid milk for schools not participating in the

School Lunch Program. This program subsidizes over 200 million half pints of milk each year.

SPECIAL SUPPLEMENTAL FOOD PROGRAM (WIC)

We are very pleased with the success and popularity of the WIC Program. Through a combination of increased appropriations and significant innovation by States in the procurement of infant formula, the WIC Program today serves over 4.4 million participants and will reach over 4.7 million by the end of this fiscal year. This represents an increase of 600,000 participants compared to 1989 levels. Because of this expansion we now estimate that virtually all eligible infants up to 12 months of age, and 90 percent of all eligible pregnant women are served by the program nationwide. The budget provides $2.2 billion for the WIC Program in Fiscal Year 1991. This is an increase of $89 million above the appropriation for the current fiscal year which, together with the savings realized from cost containment initiatives, will allow continued expansion of the current level of services provided to women, infants and children.

FOOD DONATIONS PROGRAMS FOR SELECTED GROUPS

We are proposing to consolidate several of the programs supported by USDA purchased and donated commodities under a single appropriation title. Therefore, in addition to supporting the current levels of the Food Distribution Program for Indian Reservations and the Nutrition Program for the Elderly and donations to soup kitchens, we are proposing to add the current law appropriation for the Commodity Supplemental Food Program under this heading. Consolidation of these accounts will streamline our appropriation structure and improve the ability of the Department to respond to offsetting changes in participation and costs.

For the Commodity Supplemental Food Program, the budget requests $62.9 million. That appropriation, plus Commodity Credit Corporation donations of dairy products, will meet the program's needs. This funding level will support the current caseload allocation of 165,000 women infants and children and 107,000 elderly.

For the Food Distribution Program on Indian Reservations, the funds requested will serve the current participation of 143,000. The total amount needed is $74.8 million.

The Nutrition Program for the Elderly is projected to continue its growth and serve approximately 264 million meals at the statutory rate of 56.76 cents per meal. We estimate an additional 11 million meals will be served to seniors at congregate feeding sites. The total amount requested is $149.9 million.

The commodity program for soup kitchens is requested at the authorized level of $32 million to provide support for meeting the food needs of homeless people whose participation in our traditional food assistance programs has been relatively low.

TEMPORARY EMERGENCY FOOD ASSISTANCE PROGRAM

This program has proven to be capable of reaching many in need who do not participate in the more structured food assistance programs, as well as providing additional assistance to those who do. For this reason, we are proposing that $50 million in administrative support for State and local administrative agencies and $120 million in direct food assistance be appropriated. We are proposing language whereby the Department will first consider purchasing acceptable commodities in the inventories of the Commodity Credit Corporation (CCC) for distribution.

FOOD PROGRAM ADMINISTRATION

For Fiscal Year 1991, we are requesting an appropriation of $96.8 million for the administrative expenses of the Agency. This is $5 million over the 1990 level and will allow the Food and Nutrition Service to fund current staff-year ceilings and meet demands to focus Agency efforts on improving oversight and monitoring operations. Specifically, the increase will fund 50 percent of the pay raise projected for Fiscal Year 1991 and the Agency will absorb the other 50 percent. The funds requested also will cover the costs of inflation and provide funds for ongoing and new initiatives, such as:

- updates to benefit delivery systems for Food Stamps, primarily Electronic Benefits Transfers;
- installing and maintaining a new integrated financial management system;
- continuing critical automation activities, including connecting our computers with States' computers;
- initiating the Unified Federal Review System for all Child Nutrition Programs including the WIC Program; and
- increasing monitoring of States' employment and training activities.

With this budget the Food and Nutrition Service can make measurable improvements in these areas.

It is a pleasure to work with the dedicated·staff of the Food and Nutrition Service who continue to keep up with changing legislation and complex program operations. We have made strides in program delivery and accountability especially in computerization and systems development. We have worked hard with State agencies to initiate demonstration projects that improve client services and administrative efficiency. We have worked with State and local partners to achieve significant reductions in the Quality Control error rates in the Food Stamp Program. Implementation of regulatory changes required by law continues to be one of our highest priorities. One of my goals is to continue to improve the way benefits are delivered to recipients. I want to increase our sensitivity to the needs of program recipients and to further develop a cooperative, team-oriented relationship with our State and local program operators.

We are in our fifth year of the Information Resources Management Plan. The budget maintains the current level of funding for systems development work. Current projects include the modernization of the basic food stamp management and reporting systems and movement toward completion of the revisions of major Child Nutrition Program systems already begun. We are currently receiving Food Stamp Program data reports in the improved system and are implementing a National Data Bank throughout the Agency.

This spring the Child Nutrition data reporting elements go into final testing and our Minneapolis data center will begin supporting our nationwide Food Coupon Redemption System on new, faster equipment. This summer, all three agencies involved, including Food and Nutrition Service, Agricultural Marketing Service and Agricultural Stabilization and Conservation Service, are scheduled to move to the new Processed Commodity Information Management System, creating another major link in the overall Management Improvement Program of the Agency.

We are not requesting any additional funding for further work on systems funded from the Food Program Administration account pending a full review of our current efforts. Then we will develop a new funding plan during 1990 for the next 5 years.

Thank you Mr. Chairman. I would be happy to answer any questions you, or other members of the committee may have.

BETTY JO NELSEN

Administrator **January 1990 - present**
Food and Nutrition Service
U.S. Department of Agriculture

Responsible for the planning, direction, coordination and control of the Federal food assistance programs which are centralized in the Food and Nutrition Service, United States Department of Agriculture. These programs include food stamps, food distribution, supplemental food for women, infants and children, school lunch, school breakfast, special milk, child care summer feeding and related nutrition activities. The budget of the Agency exceeds $23 billion.

State Representative **1979 - 1989**
Wisconsin Assembly

Member of the Joint Finance Committee, responsible for developing state's $11 billion budget. Represented constituent interests.

Minority Leader **1987 - 1988**
Wisconsin Assembly

Responsible for developing agenda for legislators with governor. Served on the Welfare Reform Commission.

Milwaukee Voluntary Action **1976 - 1978**
Center Involvement Corps

Responsible for pilot program linking corporate sector volunteers with nonprofit agencies.

United Way of Greater Milwaukee **1970 - 1976**

Chaired the Agency Evaluation Committee. Lobbied County Board for funding of Central Information and Referral System.

Milwaukee County Department of **1968 - 1971**
Public Welfare

Served as chair of Volunteer Services.

Omaha Public Schools **1957 - 1958**

Junior high school teacher.

Community Involvement

-A Better Chance, Milwaukee Chapter
-Shorewood Public Schools
-Future Milwaukee - A Community Leadership Program
-Wisconsin Correctional Services
-Milwaukee Management Support Organization
-Girls Scouts of Milwaukee Area, Inc.
-Goals for Milwaukee 2000
-American Red Cross, Greater Milwaukee Chapter

Personal

-Graduated Dedham, Massachusetts, Public High School
-Massachusetts State College, BS Education; major in food and nutrition
-Married to James R. Nelsen
-3 children

STANLEY C. GARNETT

Stanley C. Garnett, has been administering food assistance programs for the last twenty-five years. He has been Acting Deputy Administrator for Special Nutrition Programs since May 1989.

Garnett joined the Food and Nutrition Service (FNS) in 1971 as a Food Program Specialist in the Child Nutrition Programs. He has held many positions in FNS over the years with an increasing degree of responsibility. Most of his early work was in the various Child Nutrition Programs in the legislative and regulatory areas. He was Assistant Deputy Administrator for Special Nutrition Programs for five years prior to assuming his current acting position.

Garnett was born October 28, 1937 in Kansas City, Missouri, where he grew up and attended school. Upon graduation from college in 1958, he taught school for several years in Kansas City. In 1962 he joined the Peace Corps and spent two years teaching english as a second language and doing community development work in the Philippines. Upon completion of his tour with the Peace Corps Garnett joined the Catholic Relief Services and spent the next six years administering food assistance programs in Southeast Asia and Sub-Sahara Africa, including administering refugee feeding programs in Vietnam during the Vietnam war and in Nigeria during the Biafran conflict.

Garnett and his wife have three children.

UNITED STATES DEPARTMENT OF AGRICULTURE
HUMAN NUTRITION INFORMATION SERVICE

Statement of James T. Heimbach, Ph.D.
Acting Administrator

before the
House Subcommittee on Rural Development, Agriculture,
and Related Agencies

Mr. Chairman and Members of the Committee:

I am James Heimbach, Acting Administrator of the Human Nutrition Information Service (HNIS). I am pleased to be here today to discuss HNIS's budget request for Fiscal Year 1991.

Mission of the Human Nutrition Information Service

The mission of the Agency is fourfold: (1) to collect, publish, and make available research on the nutrient content of foods; (2) to monitor and report on the patterns of food consumption by Americans and the nutritional adequacy of their diets; (3) to develop concepts and techniques for increasing the nutrition knowledge of professionals and consumers; and (4) to provide the policy basis for issuing Federal nutrition guidance to the American public. This research supports the Department's commitment to monitoring the dietary status of the population and to nutrition education. The importance of research in these areas was specifically emphasized by the Congress in the Food and Agriculture Act of 1977, the Agriculture and Food Act of 1981, and the Food Security Act of 1985.

HNIS has a total of about 94 scientists and support staff in two operating units: the Nutrition Monitoring Division and the Nutrition Education Division. The Nutrition Monitoring Division conducts national surveys to obtain information on food consumption by households and individuals and is the national resource for information on the nutritive value of foods. The Nutrition Education Division determines the factors which influence dietary status and conducts research to determine how guidance can best be communicated to the general public and to at-risk groups. Within the USDA, HNIS has responsibility for the National Nutrition Monitoring System--a system of activities, primarily in USDA and the Department of Health and Human Services (DHHS), that are essential to providing timely information about the dietary and nutritional status of Americans and the factors that affect that status. HNIS also coordinates the development and publication of the Dietary Guidelines for Americans--another joint effort by USDA and DHHS.

Fiscal Year 1991 Budget Request

The HNIS budget request for Fiscal Year 1991 is for $10.7 million, an increase of $1.7 million over the 1990 current estimate of $9.0 million. The increase requested would:

1. Provide $1.0 million for the agency's participation in the $25.0 million USDA Food Safety Data Initiative. As one of the four lead agencies, HNIS will establish a Residue Exposure Assessment System which will provide data on the potential exposure of individuals to pesticide residues. The system will link data on pesticide residues found in agricultural products, as

determined in a State-based monitoring program administered by the Agricultural Marketing Service, with data on the intake of those products by the U.S. population and population subgroups, as determined from HNIS's Nationwide Food Consumption Surveys. Estimating potential exposure is dependent on the development of (1) a residue data bank which will encode all essential data on residue levels in foods in a form that will allow later linkage with food intake data and (2) a Food Grouping System which will translate data on the amounts of the more than 5,000 food items consumed by individuals back to the agricultural products of which they are composed for linkage with the residue data.

2. Provide $0.5 million for a new nutrition education initiative to increase awareness of the 1990 Dietary Guidelines for Americans. It is anticipated that the Secretaries of Agriculture and Health and Human Services will issue a revised edition of the Dietary Guidelines for Americans by the end of the year. These Guidelines, which represent Federal nutrition policy, help ensure that the government "speaks with one voice." The budget increase will enable HNIS to conduct a major effort to increase awareness of the new Dietary Guidelines and to help Americans implement the Guidelines in their daily food choices. In addition, special efforts will be made to get appropriate dietary guidance to hard-to-reach populations who may be at nutritional risk, such as low-literacy groups, the elderly, teenagers, and the poor.

3. Provide $0.2 million for increased operating costs.

In addition, our budget request would support ongoing HNIS activities in the Nutrition Monitoring and Nutrition Education areas.

Nutrition Monitoring. Major monitoring activities in progress include:

1. The analysis and dissemination of results from the 1987-88 Nationwide Food Consumption Survey (NFCS). Preliminary results indicate that mean intakes of calories and fat by women 20 and over were lower in 1987-88 than 10 years earlier, while intakes of carbohydrates, vitamin A, and calcium increased slightly. A special "Bridging Study," undertaken to determine the effect of changes in survey methodology between the 1977-78 NFCS and the 1987-88 NFCS on the comparability of food and nutrient intakes from the two surveys indicates that the methodology changes had little effect and that intake estimates from the two surveys may be compared.

   Analysis plans include the funding of several research agreements with universities to identify factors influencing the dietary status of special segments of the population, especially those that may be at nutritional risk. Publication plans include a series of popular chartbooks for Congress, consumers, and the media, which will provide information on the American diet in a graphic, easy to understand format.

2. Monitoring the Continuing Survey of Food Intakes by Individuals (CSFII) 1989 through 1996 including the telephone followup survey that will assess consumer perceptions on diet/health and food safety issues. Activities include (a) providing technical support for the contractor and the field staff responsible for interviewing and coding the data, and (b) updating the survey support systems.

3. Continued coordination with DHHS to assure that the monitoring activities of the two Departments meet the needs of Congress and others for information on dietary and nutritional status of the population. Coordination is carried out by the Interagency Committee on Human Nutrition Research, the Interagency Committee on Nutrition Monitoring, the HNIS/NCHS Coordinating Committee, and the NFCS Data Users Group.

4. The provision of annual estimates of the nutrient content of the national food supply. This series provides the only source of data on trends since 1909 in foods and nutrients available for consumption.

5. Assistance to State public health nutritionists and other State and local leaders in the use of USDA's nutrition monitoring data through participation in workshops and the design of research projects focused on the development of data on dietary status particularly useful to each State. Using NFCS 1987-88 data, a model is being developed to generate state-by-state estimates of dietary status.

6. Maintain and continually update the National Nutrient Data Bank (NNDB) and the Survey Nutrient Data Base. It is this data bank that will serve as the model for the residue data bank discussed earlier as an HNIS contribution for the 1991 Food Safety Data Initiative.

   The Survey Nutrient Data Base is specifically organized and maintained to analyze diets reported in both USDA and DHHS dietary surveys. An HNIS-NCHS interagency committee decides when food items should be added to the data base or when existing food descriptions should be modified.

   The data base and associated programs will be made available in a micro-computer system currently under development by USDA and the University of Texas.

   A Nutrient Data Bank Electronic Bulletin Board is maintained to expand communications between HNIS and nutrient data users. It is accessed by personal computer and provides up-to-date information about HNIS nutrient data releases and other relevant topics.

7. Monitor and incorporate into the NNDB results of analytical research on the nutritive content of foods. Current work is for foods that are major contributors of fat, fatty acids, cholesterol, and plant sterols and for all nutrients in the most frequently consumed beverages, selected dairy products, vegetables, and legumes. This research is being done through extramural contracts.

8. Publication of the last three (of 22) sections of Agriculture Handbook No. 8 (Mixed Dishes, Snacks and Sweets, and Baked Products). The "Beef Products" section completed in 1986 is being revised and reissued following a market basket study that shows closer fat trim at the retail level. Early reports from a similar study indicate that pork is now considerably leaner than shown in the Handbook, and so a revision of the pork-products section is planned.

   The 2nd Annual Supplement is in progress. This supplement is a vehicle for releasing new or updated food composition data as they become available.

Nutrition Education. The agency conducts an ongoing research program to assess the dietary status of Americans including the factors that influence dietary status and to determine the most effective methods and strategies for improving the dietary status of Americans. Major activities fall into four areas:

1. Establishing Dietary Guidance policy. For example,

   --HNIS and the Office of Disease Prevention and Health Promotion of DHHS have jointly sponsored the Dietary Guidelines Advisory Committee, which has been working since January 1989 to review the 1985 edition of the Dietary Guidelines for Americans. The present draft of the Committee's report indicates that they agree that the central messages in the 1985 Dietary Guidelines remain sound advice. It is anticipated that changes in wording, emphasis, and specificity will be recommended. The

Committee's report will be used by the two Departments to prepare the next edition of the Guidelines.

--HNIS chairs the USDA's Dietary Guidance Working Group, comprising representatives from nine USDA agencies and a liaison member from DHHS. This group reviews all USDA guidance materials prior to publication to ensure that the Department "speaks with one voice" in expressing Federal nutrition policy. HNIS provides a liaison to the DHHS Nutrition Policy Board's Subcommittee on Dietary Guidance, the corresponding group at DHHS.

--HNIS works cooperatively with other groups to help ensure that consistent, accurate, understandable dietary guidance messages are given to the public. For example, HNIS provides critical review and input to projects such as the Year 2000 Health Objectives for the Nation, the National Cholesterol Education Program, and Project LEAN, a private sector initiative to lower fat in the American diet.

2. Assessing dietary status and the factors that influence dietary status. For example,

--HNIS works cooperatively with DHHS to produce triennial reports on the dietary and nutritional status of the U.S. population. The second of these reports was sent to Congress in September 1989. Planning has begun for the third report. Input on how the reports meet the needs of users is being sought as part of the planning process.

--HNIS will continue to utilize its newly daveloped Dietary Change Research Model. This unique computerized modeling system measures the amount of change that would be required in the average American eating pattern to meet any set of dietary recommendations. It thereby provides insight on the barriers to dietary change.

3. Researching tools and techniques for communicating dietary guidance messages. For example,

--The penetration and use of the Dietary Guidelines has been studied by HNIS and USDA's Extension Service in cooperation with the University of Wisconsin. Interviews were conducted with food and nutrition professionals and with consumers. The professionals who were interviewed expressed strongly the need for a single set of guidelines from the Federal Government, i.e., "speak with one voice," and saw the need for fresh and interesting presentations of guidance information as critical to gaining public attention and acceptance.

--In a cooperative study with the Pennsylvania State University, consumers were found to react positively to the idea of dietary guidelines from the Federal Government, but did not understand several guidance issues, especially those related to starch and fiber, fat, fatty acids, sugar, and sodium. They expressed a need for more specific information on how to really put the Guidelines into practice.

4. Developing dietary guidance materials and activities. HNIS develops consumer publications which translate complicated nutrition research into terms that are understandable and useful to consumers and which provide them with the practical information needed to put dietary guidance into practice. For example,

--HNIS will continue its new consumer nutrition education campaign called "Eating Right...The Dietary Guidelines Way," initiated last July. The campaign was kicked off with the release of four new colorful bulletins on Preparing Food and Planning Menus; Making Bag Lunches, Snacks, and Desserts; Shopping for Food and Making Meals in Minutes; and Eating Better When Eating Out. Information about the campaign and/or press kits have been sent to Congressmen, State governors, Commissions of Agriculture and nutrition coordinators in state health departments and departments of education. An excellent example of how we would like to see the "Eating Right..." campaign adapted is underway in Wyoming. In March, the entire State will be "Eating Right" in observance of National Nutrition Month.

--Soon to be released are a series of seventeen factsheets on good sources of nutrients and a revised edition of a popular pocket guide entitled "Calories and Your Weight." Currently in production are materials that focus on the needs of special groups: (1) a cooperative effort is underway with the University of Nebraska to adapt current guidance materials for use with low-literacy audiences; (2) a cooperative project is underway with the National Institute on Aging to develop materials to help healthy older Americans implement the Dietary Guidelines; (3) a new presentation of USDA's food guide, to be called the Food Guide Pyramid, is in preparation; (4) a dietary analysis program developed as a teaching tool for the Extension Service has been adapted to work with Apple computer hardware to increase its usefulness in high school curricula; and (5) a cooperative effort is underway with the National Association for the Advancement of Health Education to develop a teacher's guide to facilitate incorporation of Dietary Guidelines concepts in health education curricula--building on the success of a similar guide developed in 1988 for home economics teachers.

--HNIS develops USDA's family food plans. These represent the quantities of various food groups that would provide a nutritious diet at four different cost levels. The cost of food in the food plans is estimated and released monthly. The cost of food in the Thrifty Food Plan for the 4-person household, is used by the Department in setting benefits for the Food Stamp Program.

In summary, HNIS is the national resource for information on the nutrient content of individual foods and of the food supply and on the food and nutrient content of diets of households and individuals. The Agency conducts research needed for the development of materials and techniques required for helping Americans to improve their diets. We view these activities as basic to the Department's mission to assure that a safe, nutritious, wholesome supply of food is available to all Americans and to provide information that healthy Americans can use to select nutritious and healthful diets.

Mr. Chairman, I will be happy to answer any questions you or other Committee members may have.

HUMAN NUTRITION INFORMATION SERVICE

Purpose Statement

The Human Nutrition Information Service (HNIS) was established by the Secretary on October 1, 1981. The functions of this agency were formerly carried out within the Agricultural Research Service.

HNIS is responsible for conducting applied research in food and nutrition--what foods Americans buy and eat, what nutrients are in the foods we eat, and how we can make informed food choices. HNIS research is used by policymakers to formulate research-based policies for nutrition and food intervention programs, consumer education, food fortification, and regulatory activities. HNIS reports the results of its work in both technical and popular publications and in forms that can be used by computers.

HNIS has primary responsibility for USDA's role in the National Nutrition Monitoring System and is the lead Agency for providing the Federal policy basis for issuing dietary guidance to the general public. HNIS' National Nutrient Data Bank is the primary resource for data on the nutrient content of foods throughout the Government as well as in the private sector.

The Agency is located at Hyattsville, Maryland, and Beltsville, Maryland. As of September 30, 1989, there were 74 full-time permanent and 21 part-time employees. A portion of the Agency's work is done via competitive contracts. These contracts are used for work that requires extensive human resources located throughout the country such as providing interviewers for nationwide surveys, or that requires specific technical expertise and equipment such as laboratory analyses of the nutrient composition of specific foods. Much of this work requires specialized technical skills that would be impractical for the agency to retain among its employees on a year-round basis.

HUMAN NUTRITION INFORMATION SERVICE

Available Funds and Staff-Years

1989 Actual and Estimated, 1990 and 1991

Item	1989 Actual		1990 Estimated		1991 Estimated	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
Salaries and Expenses............	$8,823,000	90	$9,031,000	90	$10,705,000	106
Other Federal Funds:						
National Institutes of Health, DHHS, for acquisition and composition for data for publications....................	75,000	—	—	—	—	—
NIH, Public Health Service, National Institute on Aging to support development of dietary guidance materials for the aged..................	10,000	—	—	—	—	—
Total, Human Nutrition Information Service............	8,908,000	90	9,031,000	90	10,705,000	106

Full-Time Equivalent Staff-Years	1989 Actual	1990 Estimated	1991 Estimated
Ceiling..........................	90	90	106
Non-Ceiling......................	—	—	—
Total..........................	90	90	106

HUMAN NUTRITION INFORMATION SERVICE

Permanent Positions by Grade and Staff-Year Summary

1989 and Estimated 1990 and 1991

Grade	1989 Headquarters	1990 Headquarters	1991 Headquarters
GS/GM-15	3	4	4
GS/GM-14	6	6	6
GS/GM-13	11	12	13
GS-12	12	12	15
GS-11	16	16	19
GS-9	5	10	15
GS-8	1	1	1
GS-7	4	5	7
GS-6	6	4	6
GS-5	7	7	7
GS-4	2	2	2
GS-3	1	1	1
GS-2	0	0	0
Total Permanent Positions.....	74	80	96
Staff-Years:			
Ceiling.......	90	90	106
Non-Ceiling...	—	—	—
TOTAL......	90	90	106

HUMAN NUTRITION INFORMATION SERVICE

CLASSIFICATION BY OBJECTS

1989 and Estimated 1990 and 1991

		1989	1990	1991
Personnel Compensation:				
Headquarters:				
11	Total personnel compensation	$ 3,122,721	$ 3,200,000	$ 3,641,000
12	Personnel Benefits	493,903	660,000	775,000
13	Benefits for former personnel	—	—	—
	Total Pers. Comp. & Benefits	3,616,624	3,860,000	4,416,000
Other Objects:				
21	Travel	57,021	80,000	80,000
22	Transportation of things	2,074	5,000	5,000
23.2	Rental payments to others	0	0	0
23.3	Communications, utilities, and misc. charges	91,775	100,000	100,000
24	Printing and reproduction	185,808	100,000	100,000
25	Other services	4,254,275	4,656,000	5,754,000
26	Supplies and materials	95,512	80,000	90,000
31	Equipment	91,159	150,000	160,000
43	Interest and dividend	289	0	0
	Total other objects	4,777,913	5,171,000	6,289,000
	Total direct obligations	8,394,537	9,031,000	10,705,000
Position Data:				
	Average Salary, GM/GS positions	$34,761	$35,000	$33,760
	Average Grade, GS positions	10.2	10.2	10.1

HUMAN NUTRITION INFORMATION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Salaries and Expenses:

> For necessary expenses to enable the Human Nutrition Information Service to perform applied research and demonstrations relating to human nutrition and consumer use and economics of food utilization [$9,145,000] $10,705,000: Provided, That this appropriation shall be available for employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225).

SALARIES AND EXPENSES

Appropriation Act, 1990		$ 9,145,000
Budget Estimate, 1991		10,705,000
Increase in Appropriation		+1,560,000
Adjustments in 1990		
Appropriation Act, 1990	$9,145,000	
Gramm-Rudman-Hollings Reduction (P.L. 99-177)	-114,000	
Adjusted Base for 1990		9,031,000
Budget Estimate, 1991		10,705,000
Increase over adjusted 1990		+1,674,000

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

Item of Change	1990 Estimated	Pay Cost	Program Changes	1991 Estimated
Human Nutrition Information Service	$9,031,000	+$111,000	+$1,563,000	$10,705,000

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1989 Actual		1990 Estimated		Increase or Decrease		
	Amount	Staff Years	Amount	Staff Years		Amount	Staf Year
1. Research, Analysis and Technical Assistance	$8,394,537	90	$9,031,000	90	$+1,674,000	$10,705,000	106
Unobligated Balance	428,463	—	—	—	—	—	—
Total available or estimate	8,823,000	90	9,031,000	90	+1,674,000	10,705,000	106
Gramm-Rudman-Hollings Reduction	—	—	114,000	—	-114,000	—	—
Total appropriation	8,823,000	90	9,145,000	90	+1,560,000	10,705,000	106

EXPLANATION OF PROGRAM

Overview of Program Development. General authority for nutrition research and education comes from the mission mandated by Congress when the Department was established in 1862. The Organic Act of 1862 called for an institution, the "general design and duties of which shall be to acquire and diffuse among the people of the United States useful information on subjects connected to agriculture and rural development." Nutrition was subsequently specified as one such subject.

Early studies on food and nutrition were begun at the end of the last century by Dr. W. O. Atwater, the first director of USDA's Office of Experiment Stations. These small scale studies were aimed at helping the working class achieve good diets at low cost. The first food consumption survey of national scope was the "Consumer Purchase Study of 1936-37" conducted jointly by USDA and the U.S. Department of Labor. This study indicated that one-third of the nation's families had diets rated poor by nutrition standards. These findings added impetus to efforts to enrich flour and bread with iron and three B vitamins and to initiate school lunch programs and more vigorous nutrition education efforts.

The types of food eaten and the dietary status of the population have been measured in subsequent nationwide studies conducted at approximately 10-year intervals--the last in 1987-88. The results of these studies reflect changes over the years in the distribution and storage (refrigeration) of products, in the availability of convenience foods (mixes and ready-made products), in technology (more commercially frozen foods and new packaging), and in incomes and lifestyles (more working women). Having available up-to-date food consumption data is essential to understanding both the dietary status of the population and the safety of the food supply.

The Research and Marketing Act of 1946 explicitly authorized research into problems of human nutrition and of the nutritive value of agriculture commodities. The role of USDA in conducting research in the fields of human nutrition, food consumption patterns, nutritive value of foods, and nutrition education activities was affirmed in the Food and Agriculture Act of 1977. Title XIV of this Act, "The National Agriculture Research Extension, and Teaching Policy Act of 1977," firmly established USDA as the lead agency in the Federal Government for research, extension, and teaching in the food and agriculture sciences. Further, it directed that research into food and human nutrition be established as a separate and distinct mission of the Department. With this legislation, Congress supported USDA's traditional emphasis on the nutritional needs of normal, healthy individuals rather than the needs of individuals requiring clinical or therapeutic dietary support. This mission was reaffirmed in the Agriculture and Food Act of 1981 and the Food Security Act of 1985.

HNIS has been specified for leadership in providing the policy basis for Federal dietary guidance to the public for several years in Conference Reports accompanying the Agriculture, Rural Development, and Related Agencies Appropriation Bill.

HNIS was established on October 1, 1981, by the Secretary's Memorandum No. 1000-1 issued pursuant to Reorganization Plan No. 2 of 1953 (7 U.S.C. 2201). The functions of this agency were formerly carried out in the Agriculture Research Service. Currently the agency conducts the activities authorized under "Research Analysis and Technical Assistance" in sections 1451-1453 and 1589 of Public Law 99-198 (7 U.S.C. 3173 note and 3178a).

Agency Objectives. It is USDA policy to "promote optimal human health and well-being through improved nutrition" (Departmental Regulation 1020-4). HNIS implements this policy through five major objectives, including:

- Monitor the nutrient content of the U.S. food supply and eating patterns of Americans and the nutritional adequacy of their diets;
- Determine the nutrient content of foods available to Americans;
- Provide research-based information on the dietary status of the U.S. population and population subgroups for decisions made by Government policymakers, educators, and health professionals aimed at improving the nutritional quality of the American diet;
- Develop research-based information needed by the American public to make informed food choices;
- Provide USDA's policy coordination for the National Nutrition Monitoring System and for the development of the Dietary Guidelines for Americans. Both of these activities are coordinated with the U.S. Department of Health and Human Services (DHHS).

JUSTIFICATION OF INCREASES AND DECREASES

An increase of $1,674,000 for Research, Analysis and Technical Assistance, including 16 additional Staff-Years.

(a) An increase of $54,000 for the 1989 pay raise and $57,000 which represents 50 percent of the 1991 pay raise. The remaining 50 percent of the 1991 pay raise and the total 1990 pay raise are being absorbed.

(b) An increase of $1 million for the Food Safety Initiative.

Need for Change. This increase is part of a $25 million Department-wide Food Safety Initiative in response to increased concerns over pesticide residue in food.

Nature of Change. The increase will provide for 11 additional staff-years and implementation of a Residue Exposure Assessment System. This system will utilize a new residue data bank and food grouping system to provide support for decisions and policies concerning pesticide use and residues in the food supply consumed by the total population and certain subgroups.

(c) An increase of $563,000 for educational outreach and ongoing research.

Need for change. The increase is needed to fund outreach for the 1991 Dietary Guidelines and to support the agency's ongoing research programs in food consumption, food composition, and nutrition education research. The outreach effort will get the 1991 Dietary Guidelines message to groups where it would have the greatest potential impact, such as primary and secondary school students as well as those hard-to-reach populations who may be at greatest nutritional risk--such as low-income, low literacy groups, the elderly and teenagers.

Research programs will place major emphasis on data collection for the 1992 CSFII; analyses of the 1989, 1990, and 1991 CSFII and its supplement—the Diet/Health Knowledge Survey; research to fill gaps in nutrient data needed for dietary assessments by USDA, Department of Health and Human Services, and the nutrition community; and research to provide the basis for an effective nutrition education/information program.

Nature of Change. An increase of $400,000 will provide for 5 staff years and additional supplies, equipment, and extramural contracting to promote public awareness of the 1991 Dietary Guidelines. An additional $163,000 will provide increased support for the agency's ongoing research programs.

HUMAN NUTRITION INFORMATION SERVICE
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1989 AND ESTIMATED 1990 AND 1991

	1989		1990		1991	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
Maryland	8,823,000	90	9,031,000	90	10,705,000	106
Total, Available or Estimate	8,823,000	90	9,031,000	90	10,705,000	106

HUMAN NUTRITION INFORMATION SERVICE

STATUS OF PROGRAM

Current Activities carried out by HNIS include:

1. Food Consumption Research. Plan and coordinate the conduct of the Nationwide Food Consumption Survey, the Continuing Survey of Food Intakes by individuals, and the Diet-Health Knowledge Survey; and maintain the historical series on the nutrient content of the U.S. food supply.

2. Applied Research on the Nutrient Content of Foods. Determine the nutrient content of foods available to Americans, develop standard reference tables on the nutrient composition of foods, and maintain the National Nutrient Data Bank.

3. Applied Research on the Dietary Status of the U.S. Population. Provide research-based information for decisions made by Government policymakers, educators, and health professionals aimed at improving the nutritional quality of the American diet.

4. Nutrition Education Research. Develop dietary guidance concepts and techniques to help the American public make informed food choices.

5. Policy Coordination. Serve as lead USDA agency for the National Nutrition Monitoring System, for the development of the Dietary Guidelines for Americans, and for a number of Federal and Federal/private nutrition-education activities such as the development of Nutrition Objectives for the Year 2000 and the National Cholesterol Education Program. These activities are coordinated with the U.S. Department of Health and Human Services and other agencies.

Selected Examples of Recent Programs. HNIS staff published and/or submitted for publication 93 reports and articles and prepared over 75 papers for presentation at professional meetings and conferences in Fiscal Year 1989.

1. Food Consumption Research

The release of results (reports and data tapes) from the 1985 and 1986 Continuing Survey of Food Intakes by Individuals (CSFII) was completed. The first results of the 1985 survey were released 6 months after data collection was completed; full release of all results was completed within 2 years after the completion of the 1986 data collection. This survey is the first nationwide dietary intake survey designed to be conducted year-by-year in this country. It was initiated following concerns expressed by two National Academy of Sciences' committees and the President's Task Force on Food Assistance about the lack of recent data on the diets of the populations and subpopulations who may be at high nutritional risk.

The results, which indicate several major changes in the food consumption patterns of individuals, have been useful to USDA and others in formulating and justifying policies relating to food production and marketing, food assistance programs, and dietary guidance.

The data collections for the decennial Nationwide Food Consumption Survey (NFCS) 1987-88 and for a study to analyze the effect of procedural and database changes between NFCS 1977-78 and NFCS 1987-88 were completed. Early results from the survey were presented at professional meetings; and an extensive series of professional and consumer publications is planned, with release beginning in early 1990. The decennial survey includes information on the foods used by households during a 7-day period and the cost of those foods. Results from this survey will form the research base for a new revision of the Thrifty Food Plan—the statutory basis for the Food Stamp Program allotments.

The data collection for the 1989 Continuing Survey of Food Intakes by Individuals (CSFII) began in April 1989. Beginning in 1990, data reporting will be accomplished using a moving-average approach. This approach will provide annual estimates of dietary status based on 3 days of food intake for both men and women 20 to 49 years of age after 2 years of data collection, and estimates for the other sex/age groups after 3, 4 or 5 years. The annual reporting of dietary data planned for the CSFII will provide trend information on a yearly basis and will minimize the problem of "input overload" that occurs with surveys conducted only every 10 years. The 1989 CSFII includes a telephone follow-up on the dietary knowledge and attitudes of survey participants.

The nutritive content of the U.S. food supply was calculated. This historical series is published annually and used to assess the potential of the U.S. food supply to satisfy the nutritional needs of the population.

A 14-chapter report, "USDA Methodological Research for Large-Scale Dietary Intake Surveys 1975-88," was completed. The report describes key investigations on survey methodology sponsored by USDA since 1975 and documents the reasons for selecting certain methodologies for obtaining data on the dietary status of the population. It is a one-of-a-kind resource.

2. Research on the Nutrient Content of Foods

Several sections of Agriculture Handbook No. 8 were published which cover fast foods, cereals and pastas. Also published were a research report on the sugar content of selected foods and two provisional tables--the first on total dietary fiber and the second on stearic acid, total fat, and other fatty acids.

Through extramural research, a number of knowledge gaps were filled in the nutrient composition of foods. These include information on the nutrient content of several species of wild and cultivated fish and on aseptically packaged foods. Also, data were obtained for 41 recipe-prepared foods, dietary fiber contents of 250 foods, 35 specialty fruits, and the selenium content of about 150 foods from various regions of the country. Progress was made on the selenium content of an additional 98 foods, trace minerals content of 133 foods, and variability in sugar content of 100 foods.

Data from the above were readied for inclusion in the National Nutrient Data Bank (NNDB). Data from the NNDB are used in calculating surveys of USDA and DHHS. The data are widely recognized and used throughout the world for many purposes.

3. Research on the Dietary Status of the U.S. Population

Several studies were conducted on the factors associated with intakes of dietary fiber, total fat, calcium, iron and vitamin B-6. These data are important for identifying groups of individuals to whom nutrition education messages should be targeted.

The questionnaire was developed for the Diet-Health Knowledge Survey to the 1989 CSFII. This survey is a cooperative effort between HNIS, USDA's Food Safety and Inspection Service, and the Food and Drug Administration. It represents the first time that a nationwide survey will be used to study the relationship between individuals' actual dietary intakes and their attitudes about dietary behavior. Information from this survey will have a major impact on the design of nutrition education programs.

The second major report on the dietary and nutritional status of the U.S. population was jointly sent to Congress in 1989. This 436 page report contains data from the National Nutrition Monitoring System (NNMS) which has become available since the first report in 1986 and two special sections on the contribution of the NNMS to evaluating the relationship of dietary and nutritional factors in cardiovascular disease and in iron nutriture.

4. Nutrition Education Research and Information

HNIS provided leadership for the USDA Dietary Guidance Working Group, under the auspices of the Subcommittee for Human Nutrition. This working group reviews all dietary guidance publications prior to their release for consistency with Federal nutrition policy.

A Dietary Change Research Model was completed. This model measures the magnitude and nature of dietary change required to meet nutritional recommendations set by authoritative groups as goals for the U.S. population. Information from the model is essential in helping to pinpoint aspects of current diets that are barriers to dietary improvement. It has applications in developing strategies for improving diets of Americans, including nutrition education initiatives and food supply changes.

Research continued to assess consumer response to usability and understanding of the nutrition information presented in HNIS consumer education publications. This research uses qualitative methods such as focus groups and individual in-depth interviews to evaluate consumers' reactions to nutrition information content and format in HNIS publications, and to identify gaps, misconceptions, and other barriers to appropriate use of the information. The results of this research provide direction for revising and developing new materials that will more fully enable consumers to use the information to improve their nutritional well-being.

A major new educational outreach program entitled "Eating Right...The Dietary Guidelines Way" was initiated to increase awareness of the Dietary Guidelines for Americans and to help consumers implement them in their daily food choices. The program was initiated with the release of four new consumer bulletins on using the Dietary Guidelines: Preparing Foods and Planning Menus; Making Bag Lunches, Snacks, and Desserts; Shopping for Food and Making Meals in Minutes; and Eating Out. To reach a wide public audience, the outreach program is targeted primarily to the media, providing feature stories, news matters, and interviews to magazines, newspapers, radio, and TV.

An outreach plan was conducted for distributing the Dietary Guidelines Teaching Kit and emphasizing its use in in-service training programs for teachers. The Dietary Guidelines Teaching Kit is a curriculum guide for junior and senior high school home economics teachers, developed by HNIS to help them present Dietary Guidelines information to their students. The goal of the outreach plan is to raise awareness and use of the Dietary Guidelines among home economics teachers, and through them, their students. In-service training programs promote availability of the Teaching Kit and provide teachers the opportunity for more in-depth explanation of current concepts of nutrition and health.

The cost of food was calculated and released each month for the four USDA family food plans—thrifty, low-cost, moderate-cost, and liberal. The thrifty food plan is the basis for Food Stamp Program allotments.

5. Policy Coordination

As the USDA lead agency for National Nutrition Monitoring, HNIS worked with other agencies, both inside and outside USDA, to coordinate monitoring activities. Efforts of special task groups have resulted in improved coordination between USDA and DHHS dietary surveys, such as common nutrient data bases for the surveys, similar documentation and reporting formats. USDA and DHHS jointly sponsored a second National Nutrition Monitoring System Report to Congress. The report, which was published in September 1989, provides information on the dietary and nutritional status of Americans. It also includes an indepth analysis on the contributions of the National Nutrition Monitoring System to the assessment of nutrition factors in cardiovascular disease and of iron nutriture. USDA and DHHS established an Interagency Committee on Nutrition Monitoring to increase the overall effectiveness and productivity of nutrition monitoring efforts. Co-chairs are the Assistant Secretary for Health, DHHS; and the Assistant Secretary for Food and Consumer Services, USDA; other Departments represented are Defense, Commerce, Labor and the Veterans Administration.

HNIS also represented USDA on the working group to establish the DHHS Nutrition Objectives for the Year 2000, the National Cholesterol Education Program, Project LEAN, the American Heart Association's Dietary Guidelines Conference, and other nutrition policy activities.

Working jointly with DHHS, HNIS established a new Federal Dietary Guidelines Advisory Committee to review the 1985 Dietary Guidelines for Americans published jointly by USDA and DHHS and make recommendations for changes. This document serves as the basis for Federal dietary guidance policy.

FOOD AND NUTRITION SERVICE

Purpose Statement

The Food and Nutrition Service (FNS) was established August 8, 1969, by Secretary's Memorandum No 1659 and Supplement 1 pursuant to the authority contained in 5 U.S.C. 301 and the Reorganization Plan No. 2 of 1953.

The Food and Nutrition Service administers food assistance programs which provide access to a more nutritious diet for persons with low incomes and which encourage better eating patterns among the nation's children. The programs are:

Food Stamp Program. Food stamps are issued to eligible low-income households to enable them to obtain a better diet by increasing their food purchasing power. The program is a Federal-State partnership with the Federal Government paying the full cost of food stamps. The Federal Government also funds over half of the expenses incurred by the States to administer the program, including recipient household certification, food coupon issuance and employment and training activities for recipients. Funds for this program are provided by direct appropriation.

Nutrition Assistance for Puerto Rico. This program provides grant funds to the Commonwealth of Puerto Rico to operate a food assistance program specifically tailored to the needs of its low-income citizens provided that the program assures assistance for the most needy persons in the jurisdiction. Puerto Rico has established eligibility standards and administrative mechanisms approved by FNS to assist low-income households with cash grants, rather than food stamps or coupons. This assistance is intended to supplement recipients' income to help them purchase food for an adequate diet. A small portion of the grant may also be used to stimulate local food production and distribution activities. Funds for this program are provided by direct appropriation.

Child Nutrition Programs. The purpose of the Child Nutrition Programs — the National School Lunch, School Breakfast, Summer Food Service and Child and Adult Care Food Programs — is to assist State and local governments in providing food services for children in public and nonprofit private schools, child care institutions and summer recreation programs. FNS provides the States with cash and commodities on a per meal basis to offset the cost of food service and cash to offset a portion of State administrative expenses, sponsor administrative expenses and technical assistance. FNS also administers the various child nutrition programs directly in cases where the State has chosen not to administer the programs. In addition to the cash and commodity assistance provided for all meals, substantially higher cash rates are paid as special assistance for meals served free or at a reduced price to children from low income families. Funds for these programs are provided by direct appropriation and by transfer from Section 32.

Special Milk Program. The Special Milk Program provides funding for milk service in some kindergartens, as well as in schools, nonprofit child care centers and camps which have no other federally assisted food programs. Milk is provided to children either free or at a low cost depending on their family income level. The Food and Nutrition Service provides cash subsidies to State administered programs and directly administers the program in the States which have chosen not to administer the program. Funds for this program are provided by direct appropriation.

Special Supplemental Food Program (WIC). The purpose of the WIC Program is to improve the health of low income pregnant, breastfeeding and postpartum women, infants and children up to their fifth birthday. This is achieved by providing food packages designed to supplement each participant's diet with foods that nutritional research indicates are typically lacking in the WIC target population and by providing eligible recipients with nutrition education and access to health services. In addition to paying the full cost of the food packages, appropriated funds are provided to States for administrative and nutrition education costs for the program. Funds for this program are provided by direct appropriation.

Food Donations Programs for Selected Groups

Food Distribution Program on Indian Reservations (FDPIR). This program provides nutrition assistance to low income American Indians living on or near reservations. Through monthly distribution from local warehouses, participating Indians receive a variety of commodities to help maintain a healthy diet. Participating agencies can order food items according to households' preferences. They also receive information on proper nutrition, food storage, sanitary food preparation methods and suggestions for use of the commodities. Funds to purchase commodities and pay expenses for this program are provided by direct appropriation and may be supplemented by commodities purchased under farm program authorities and distributed at no charge against the funds appropriated.

Nutrition Program for the Elderly. This program provides cash and commodities to States for distribution to local organizations that prepare meals served to elderly persons in congregate settings or delivered to their homes. The program promotes good health through nutrition assistance and through reducing the isolation of old age. USDA participates in this program by supplementing the Department of Health and Human Services' funding for programs for the elderly with cash and commodities on a per meal basis for each meal served to an elderly person. Funds for this program are provided by direct appropriation.

Commodities for Soup Kitchens. The Hunger Prevention Act of 1988 mandates the purchase and distribution of $32 million worth of commodities to soup kitchens and food banks in Fiscal Year 1991. Commodities are distributed to the States which, in turn, provide them to public and charitable institutions that maintain an established feeding operation to provide food to needy homeless persons on a regular basis as an integral part of their activities. In instances when these commodities cannot be used by these organizations, States provide such commodities to other public and charitable institutions that maintain an established operation involving the provision of food or edible commodities to food pantries, soup kitchens, hunger relief centers or other food or feeding centers that provide meals or food to needy persons on a regular basis as an integral part of their normal activities.

Commodity Supplemental Food Program (CSFP). The first priority of the CSFP is to improve the health of low-income pregnant, breastfeeding and postpartum women, infants and children up to their sixth birthday, a target population similar to that of the WIC Program. The next priority of CSFP is to provide supplemental food packages to improve the health of the low income elderly — 60 years of age or older. The foods are purchased directly by the Department of Agriculture and distributed through State and local agencies to eligible women, infants, children and the elderly. The Food and Nutrition Service provides cash assistance to distributing agencies to offset their operating expenses at a rate of 15 percent of appropriated funding plus 15 percent of the value of donated commodities. Funds to purchase commodities and pay expenses for this program are provided by direct appropriation and may be supplemented by commodities purchased under farm program authorities and distributed at no charge against the funds appropriated.

Temporary Emergency Food Assistance Program (TEFAP). The Temporary Emergency Food Assistance Program makes available to States surplus foods from USDA farm support program inventories. The program also provides funds to States to aid in the intrastate storage and distribution of these foods. In addition to surplus commodities, USDA also purchases and distributes to States foods that are high in nutrient density, easily and safely stored and are convenient to use and consume. The allocation of both commodities and administrative expense grants to the States is based on a formula which considers the States' unemployment level and the number of persons with incomes below the poverty level. Funds for this program are provided by direct appropriation.

Food Program Administration. This account funds Federal personnel compensation, benefits and other operating expenses of the Food and Nutrition Service. FNS administers the Food Stamp, Child Nutrition, Special Supplemental Food and other programs described above in a Federal-State partnership in which State agencies and local entities directly operate most programs. FNS implements program statutes through promulgation of regulations and instructions. FNS staff provide training and assistance to State agencies, assure proper funds allocation and control, conduct program monitoring and evaluation, and develop program policy.

Agency headquarters are in Alexandria, Virginia. Regional offices are at seven locations: Boston, Massachusetts; Robbinsville, New Jersey; Atlanta, Georgia; Chicago, Illinois; Dallas, Texas; Denver, Colorado; and San Francisco, California. On September 30, 1989, FNS employed 1,937 full time permanent and 49 part time and temporary employees, of which 629 were in the headquarters office and 1,357 in the field. Of the field total, 924 employees were stationed in seven regional offices and the balance in six Food Stamp Compliance offices; one computer support center in Minneapolis, Minnesota; five Administrative Review offices; and 66 field offices. Funds for these activities are provided by direct appropriation.

FOOD AND NUTRITION SERVICE
Available Funds and Staff-Years
1989 Actual and Estimated, 1990 and 1991

Page 1 of 2

Item	1989 Actual		1990 Estimated		1991 Estimated	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Child Nutrition Programs:						
Appropriation	497,544,000		730,882,000		473,575,000	
Transfer from Section 32	4,093,272,000		4,156,554,000		4,632,259,000	
Total - Child Nutrition Programs	[a] 4,590,816,000	106	[b] 4,887,436,000	135	[c] 5,105,834,000	185
Special Milk Program	[d] 19,925,000		[e] 20,309,000		[f] 19,268,000	
Special Supplemental Food Program (WIC)	[g] 1,929,362,000		[h] 2,125,958,000		2,215,248,000	
Food Stamp Program	13,823,579,000		[i] 15,706,339,000		15,976,681,000	
Food Donations Programs	[j] 289,147,000		[k] 308,090,000		319,670,000	
Temporary Emergency Food Assistance Program	170,000,000		[l] 169,395,000		170,000,000	
Food Program Administration	89,223,000	1,793	[m] 91,727,000	1,885	96,778,000	1,885
Total, Food and Nutrition Service Funds	20,912,052,000	1,899	23,309,254,000	2,020	23,903,479,000	2,070
Obligations under other USDA Appropriations:						
Human Nutrition Information Service for Administrative Support	210,000	5	210,000	5	210,000	5
Office of Finance and Management	85,000	1				
Farmers Home Administration	16,712					
Soil Conservation Service	69,431	1				
Miscellaneous Reimbursements	7,966					
Total, Other USDA Appropriations	389,109	7	210,000	5	210,000	5

FOOD AND NUTRITION SERVICE
Available Funds and Staff-Years
1989 Actual and Estimated, 1990 and 1991

Page 1 of 2

Item	1989 Actual		1990 Estimated		1991 Estimated	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Other Federal Funds:						
Army Audit Agency for Health Services	9,242	1				
Department of Health and Human Services	7,186					
Total, Other Federal Funds	16,428	1				
Total, Food and Nutrition Service	20,912,457,537	1,907	23,309,464,000	2,025	23,903,689,000	2,075

Full-Time Equivalent Staff Years:	1989 Actual	1990 Estimated	1991 Estimated
Ceiling	1,907	2,025	2,075
Non-Ceiling	33	37	37
Total	1,940	2,062	2,112

[a] Excludes $266,243,759 in unobligated balances.
[b] Excludes $240,601,407 in unobligated balances and reflects $58,000 in sequestered amounts.
[c] Excludes $178,761,000 in unobligated balances.
[d] Excludes $3,563,666 in unobligated balances.
[e] Excludes $3,583,217 in unobligated balances and reflects $140,000 in sequestered amounts.
[f] Excludes $2,949,217 in unobligated balances.
[g] Excludes $4,047 in unobligated balances and $136,801 in recoveries of PY obligations.
[h] Excludes $440,003 in unobligated balances and reflects $42,000 in sequestered amounts.
[i] Reflects the sequestered amount of $757,000 in Other Program Costs.
[j] Excludes $10,250,534 in unobligated balances and $485,554 in recoveries of PY obligations.
[k] Excludes $3,733,424 in unobligated balances and reflects $3,448,000 in sequestered amounts.
[l] Reflects $605,000 in sequestered amounts.
[m] Excludes $3,931 in unobligated balances and reflects $1,299,000 in sequestered amounts.

FOOD AND NUTRITION SERVICE

Permanent Positions by Grade and Staff-Year Summary

1989 and Estimated 1990 and 1991

	1989			1990			1991		
	Headquarters	Field	Total	Headquarters	Field	Total	Headquarters	Field	Total
ES-5	2	1	3	2	1	3	2	1	3
ES-4	3	6	9	3	6	9	3	6	9
ES-3	2	0	2	2	0	2	2	0	2
ES-2	1	0	1	1	0	1	1	0	1
ES-1	0	0	0	0	0	0	0	0	0
GS/GM-15	24	7	31	24	7	31	24	7	31
GS/GM-14	62	34	96	62	34	96	62	34	96
GS/GM-13	118	75	193	125	75	200	129	75	204
GS-12	137	212	349	145	223	368	150	230	380
GS-11	137	351	488	145	369	514	150	379	529
GS-10		0	0						
GS-9	31	194	225	33	204	237	34	210	244
GS-8	7	6	13	7	6	13	7	6	13
GS-7	52	122	174	55	128	183	57	132	189
GS-6	50	52	102	50	52	102	50	52	102
GS-5	44	141	185	46	148	194	47	152	199
GS-4	17	41	58	18	43	61	19	44	63
GS-3	9	8	17	10	8	18	10	8	18
GS-2	4	2	6	4	2	6	4	2	6
GS-1	0	0	0	0	0	0	0	0	0
Ungraded Positions	5	0	5	5	0	5	5	0	5
Total Permanent Positions........	705	1,252	1,957	737	1,306	2,043	756	1,338	2,094
Staff-Years:									
Ceiling..........	687	1,220	1,907	729	1,296	2,025	747	1,328	2,075
Non-Ceiling......	3	30	33	7	30	37	7	30	37
TOTAL.........	690	1,250	1,940	736	1,326	2,062	754	1,358	2,112

FOOD AND NUTRITION SERVICE

CLASSIFICATION BY OBJECTS

(dollars in thousands)

	Actual 1989	Estimated 1990	Estimated 1991
Personnel Compensation:			
Headquarters	$25,919	$27,448	$28,760
Field	37,490	40,176	43,289
11 Total personnel compensation	63,409	67,624	72,049
11.1 Full-time permanent	61,460	65,891	70,278
11.3 Other than full-time permanent	1,258	1,360	1,390
11.9 Special personal services	691	373	381
12 Personnel benefits	10,522	11,246	11,976
13 Benefits for former personnel	110	46	46
Total pers. compensation and benefits	74,041	78,916	84,071
Other objects:			
21 Travel	3,713	3,639	4,280
22 Transportation of things	2,975	3,056	3,235
23.1 Rental payments to GSA			
23.2 Rental payments to others	333	450	469
23.3 Communications, utilities and misc. charges	4,755	5,047	5,237
24 Printing and reproduction	22,217	23,775	24,677
25 Other services	42,452	47,298	50,749
26 Supplies and materials (incl. commodities)	438,548	484,533	491,170
31 Equipment	3,250	1,529	2,018
32 Land and structures			
41 Grants, subsidies and contributions	20,350,800	22,727,662	23,019,284
42 Insurance claims and indemnities	26		
43 Interest and dividends	3		
Total other objects	20,869,072	23,296,989	23,601,119
Total direct obligations	20,943,113	23,375,905	23,685,190
Position Data:			
Average Salary, ES positions	$ 72,525	$ 75,136	$ 83,401
Average Salary, GM/GS positions	$ 31,395	$ 33,301	$ 34,147
Average Grade, GM/GS positions	9.7	9.7	9.7

FOOD AND NUTRITION SERVICE

Reports of Audits and Investigations of National Significance Received during Fiscal Year 1989

Program/Activity Reviewed	Report Number	Date Issued	Subject
Reports From the Office of the Inspector General			
Child Nutrition	27099-25SF	06/20/89	Contracting of Food Service to Management Companies in the National School Lunch Program
Food Distribution	27099-79Ch	03/13/89	Commodity Processing Operations-Yield Shortages
Food Stamp, Financial Management	27019-38-Hy	09/29/89	Redemption Accountability Pilot
Reports from the General Accounting Office			
Child Nutrition	RCED-89-218	09/26/89	Buy American Procedures at Commodity Schools
Food Assistance Programs	RCED-89-177	09/29/89	Nutritional Adequacy of Primary Food Programs on Four Indian Reservations
Food Stamp	RCED-88-176	10/21/88	Administrative Hindrances to Participation
Food Stamp	PEMD-89-5BR	12/08/88	Reasons for Non-Participation
Food Stamp	AFMD-89-22	03/15/89	FNS Financial Statements FY 1987
Food Stamp	HRD-89-62	03/31/89	Implementation of Alien Verification
Food Stamp	RCED-89-81	07/10/89	Participation Terminated for Procedural Non-Compliance Causes and Benefit Loss
Food Stamp	HRD-129-BR	08/17/89	Survey of Alabama Welfare Reform

FOOD AND NUTRITION SERVICE

Food Assistance Table
Budget Authority under Current Law
(Dollars in Thousands)

	1989 Actual	1990 Estimate	1991 Estimate	Change 1990-1991
A. Child Nutrition Programs:				
1. Program grants to States:				
a. School Lunch Program	3,025,352	3,115,124	3,223,888	108,764
b. School Breakfast Program	514,498	563,926	606,036	42,110
c. Child and Adult Care Food Program	655,932	757,288	794,401	37,113
d. Summer Food Service Program	147,824	170,872	179,716	8,844
e. State administrative expenses	58,411	60,647	64,389	3,742
TOTAL, Cash payments to States	4,402,017	4,667,857	4,868,430	200,573
2. Commodities to States (including cash in lieu of commodities):				
a. FNS commodities	176,514	207,837	223,666	-15,829
b. AMS Section 32 commodities	350,900	350,900	350,900	0
c. CCC bonus commodities	0	0	0	0
d. AMS bonus commodities	0	0	0	0
TOTAL, Commodities to States	527,414	558,737	574,566	15,829
3. Nutrition studies and education:				
a. Nutrition studies and surveys, section 6(a)(3)	2,085	3,142	3,085	-57
b. Nutrition education and training, section 19	5,000	5,000	5,000	0
c. Child Nutrition Federal Review System	5,200	3,600	5,653	2,053
TOTAL, Nutrition studies and education	12,285	11,742	13,738	1,996
TOTAL, Child Nutrition Programs	4,941,716	5,238,336	5,456,734	218,398
LESS: AMS Section 32 commodities	350,900	350,900	350,900	0
CCC bonus commodities	0	0	0	0
AMS bonus commodities	0	0	0	0
TOTAL, FNS Child Nutrition Account	4,590,816	4,887,436	5,105,834	218,398
B. Special Milk Program: Cash Payments	19.925	20,309	19,268	-1,041
C. Special Supplemental Food Program (WIC):				
1. Cash grants to States	1,926,362	2,121,000	2,210,248	89,248
2. Studies and evaluations	3,000	4,958	5,000	42
TOTAL, FNS Special Supplemental Food Program Account	1,929,362	2,125,958	2,215,248	89,290
D. Food Stamp Program:				
1. Benefit costs	11,618,593	13,401,276	14,134,276	733,000
2. State administrative costs	1,100,193	1,165,603	1,230,222	64,619
3. Other program costs	196,543	202,710	212,183	9,473
4. Excess state error liabilities	0	0	-100,000	-100,000
5. Transfer to extension Service	0	0	0	0
6. Unobligated balance, lapsing	0	0	500,000	500,000
7. Adjustments in expired accounts	0	0	0	0
8. Nutrition Assistance for Puerto Rico	908,250	936,750	0	-936,750
TOTAL, FNS Food Stamp Program Account	13,823,579	15,706,339	15,976,681	270,342

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FOOD AND NUTRITION SERVICE

Food Assistance Table
Budget Authority under Current Law
(Dollars in Thousands)

	1989 Actual	1990 Estimate	1991 Estimate	Change 1990-1991
E. Food Donations Programs:				
1. Food Distribution Program on Indian Reservations:				
a. Commodities in lieu of food stamps	41,758	43,530	58,011	14,481
b. Distributing agency administrative costs	16,096	16,610	16,830	220
c. Section 32 bonus commodities	0	0	0	
d. Section 416 bonus commodities	0	0	0	
TOTAL, Food Distribution Program on Reservations	57,854	60,140	74,841	14,701
LESS: Bonus commodities	0	0	0	0
TOTAL, FNS Food Distribution Program on Indian Reservations Account	57,854	60,140	74,841	14,701
2. Nutrition Program for the Elderly:				
a. Commodities	9,301	9,327	9,743	416
b. Cash in lieu of commodities	131,992	134,155	140,154	5,999
c. Section 32 Bonus Commodities	0	0	0	
d. Section 416 Bonus Commodities	0	0	0	
TOTAL, Nutrition Program for the Elderly	141,293	143,482	149,897	6,415
LESS: Bonus Commodities	0	0	0	0
TOTAL, FNS Nutrition Program for the Elderly Account	141,293	143,482	149,897	6,415
3. Commodities for Soup Kitchens	40,000	39,440	32,000	-7,440
4. Commodity Supplemental Food Program (CSFP):				
a. Commodities for supplemental food	38,812	53,530	49,863	-3,667
b. Payments to distributing agencies for administration	7,500	9,754	9,440	-314
c. Special administrative funds	3,688	1,744	3,629	1,885
d. CCC donations	0	0	0	0
SUBTOTAL, Commodity Supplemental Food Program (CSFP)	50,000	65,028	62,932	-2,096
LESS: CCC Donations	0	0	0	0
TOTAL, FNS CSFP Account	50,000	65,028	62,932	-2,096
TOTAL, FNS Food Donations Programs Account	289,147	308,090	319,670	11,580
F. Temporary Emergency Food Assistance Program (TEFAP):				
1. FNS Commodities	120,000	119,573	120,000	427
2. CCC Bonus Commodities	0	0	0	0
3. TEFAP Administrative Expense	50,000	49,822	50,000	178
TOTAL, Temporary Emergency Food Assistance Program	170,000	169,395	170,000	605
LESS: Bonus Commodities	0	0	0	0
TOTAL, FNS TEFAP Account	170,000	169,395	170,000	605

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FOOD AND NUTRITION SERVICE

Food Assistance Table
Budget Authority under Current Law
(Dollars in Thousands)

	1989 Actual	1990 Estimate	1991 Estimate	Change 1990-1991
G. Bonus Commodities to Other Outlets:				
1. Charitable Institutions				
a. Section 32 commodities...........................	0	0	0	0
b. Section 416 commodities..........................	0	0	0	0
2. Summer Camps				
a. Section 32 commodities...........................	0	0	0	0
b. Section 416 commodities..........................	0	0	0	0
3. Disaster Feeding				
a. Section 32 commodities...........................	0	0	0	0
b. Section 416 commodities..........................	0	0	0	0
TOTAL, Bonus Commodities to Other Outlets................	0	0	0	0
H. Food Program Administration:				
1. Child nutrition......................................	28,855	29,665	31,297	1,632
2. Special milk...	161	165	175	10
3. Supplemental feeding.................................	7,298	7,503	7,917	414
4. Food stamp...	51,035	52,468	55,357	2,889
5. Cash and commodity subsidies.........................	1,874	1,926	2,032	106
TOTAL, Food Program Administration.........................	89,223	91,727	96,778	5,051
GRAND TOTAL, Food Assistance..............................	21,262,952	23,660,154	24,254,379	594,225
LESS: Section 32 commodities for Child Nutriton......	350,900	350,900	350,900	0
AMS bonus commodities............................	0	0	0	0
CCC bonus commodities............................	0	0	0	0
TOTAL, FNS Accounts..	20,912,052	23,309,254	23,903,479	594,225

FOOD AND NUTRITION SERVICE

Food Assistance Table
Program Level under Current Law
(Dollars in Thousands)

	1989 Actual	1990 Estimate	1991 Estimate	Change 1990-1991
A. Child Nutrition Programs:				
1. Program grants to States:				
a. School Lunch Program	3,082,247	3,213,869	3,402,649	188,780
b. School Breakfast Program	513,032	564,367	606,036	41,669
c. Child and Adult Care Food Program	677,431	716,866	794,401	77,535
d. Summer Food Service Program	146,672	163,344	179,716	16,372
e. State administrative expenses	59,802	59,886	64,389	4,503
TOTAL, Cash payments to States	4,479,184	4,718,332	5,047,191	328,859
2. Commodities to States (including cash in lieu of commodities):				
a. FNS commodities	182,715	217,899	223,666	5,767
b. AMS Section 32 commodities	342,071	350,900	350,900	0
c. CCC bonus commodities	260,713	260,713	260,713	0
d. AMS bonus commodities	68,507	68,507	68,507	0
TOTAL, Commodities to States	854,006	898,019	903,786	5,767
3. Nutrition studies and education:				
a. Nutrition studies and surveys, section 6(a)(3)	2,037	3,042	3,085	43
b. Nutrition education and training, section 19	5,000	5,000	5,000	0
c. Child Nutrition Federal Review System	3,797	5,003	5,653	650
TOTAL, Nutrition studies and education	10,834	13,045	13,738	693
TOTAL, Child Nutrition Programs	5,344,024	5,629,396	5,964,715	335,319
LESS: AMS Section 32 commodities	342,071	350,900	350,900	0
CCC bonus commodities	260,713	260,713	260,713	0
AMS bonus commodities	68,507	68,507	68,507	0
TOTAL, FNS Child Nutrition Account	4,672,733	4,949,276	5,284,595	335,319
B. Special Milk Program: Cash Payments	19,905	20,943	22,218	1,275
C. Special Supplemental Food Program (WIC):				
1. Cash grants to States	1,925,926	2,121,440	2,210,248	88,808
2. Studies and evaluations	3,000	4,958	5,000	42
TOTAL, FNS Special Supplemental Food Program Account	1,928,926	2,126,398	2,215,248	88,850
D. Food Stamp Program:				
1. Benefit costs	11,604,412	13,401,276	14,134,276	733,000
2. State administrative costs	1,076,574	1,165,603	1,230,222	64,619
3. Other program costs	178,541	202,710	212,183	9,473
4. Excess state error liabilities	0	0	0	0
5. Transfer to extension Service	0	0	0	0
6. Unobligated balance, lapsing	0	0	0	0
7. Adjustments in expired accounts	0	0	0	0
8. Nutrition Assistance for Puerto Rico	908,250	936,750	0	-936,750
TOTAL, FNS Food Stamp Program Account	13,767,777	15,706,339	15,576,681	-129,658

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FOOD AND NUTRITION SERVICE

Food Assistance Table
Program Level under Current Law
(Dollars in Thousands)

	1989 Actual	1990 Estimate	1991 Estimate	Change 1990-1991
E. Food Donations Programs:				
1. Food Distribution Program on Indian Reservations:				
a. Commodities in lieu of food stamps...............	41,696	43,530	58,011	14,481
b. Distributing agency administrative costs........	15,383	16,610	16,830	220
c. Section 32 bonus commodities....................	0	0	0	0
d. Section 416 bonus commodities...................	8,185	8,185	8,185	0
TOTAL, Food Distribution Program on Reservations......	65,264	68,325	83,026	14,701
LESS: Bonus commodities............................	8,185	8,185	8,185	0
TOTAL, FNS Food Distribution Program on Indian Reservations Account...........	57,079	60,140	74,841	14,701
2. Nutrition Program for the Elderly:				
a. Commodities.....................................	9,301	9,327	9,743	416
b. Cash in lieu of commodities.....................	131,562	134,155	140,154	5,999
c. Section 32 Bonus Commodities....................	1,545	1,545	1,545	0
d. Section 416 Bonus Commodities...................	1,978	1,978	1,978	0
TOTAL, Nutrition Program for the Elderly..............	144,386	147,005	153,420	6,415
LESS: Bonus Commodities............................	3,523	3,523	3,523	0
TOTAL, FNS Nutrition Program for the Elderly Account...........................	140,863	143,482	149,897	6,415
3. Commodities for Soup Kitchens.......................	40,000	39,440	32,000	-7,440
4. Commodity Supplemental Food Program (CSFP):				
a. Commodities for supplemental food...............	46,404	57,263	49,863	-7,400
b. Payments to distributing agencies for administration..................	7,860	9,754	9,440	-314
c. Special administrative funds....................	2,739	1,744	3,629	1,885
d. CCC donations...................................	21,059	9,059	21,059	12,000
SUBTOTAL, Commodity Supplemental Food Program (CSFP)..	78,062	77,820	83,991	6,171
LESS: CCC Donations................................	21,059	9,059	21,059	12,000
TOTAL, FNS CSFP Account...............................	57,003	68,761	62,932	-5,829
TOTAL, FNS Food Donations Programs Account...............	294,945	311,823	319,670	7,847
F. Temporary Emergency Food Assistance Program (TEFAP):				
1. FNS Commodities.....................................	120,000	119,573	120,000	427
2. CCC Bonus Commodities...............................	135,164	135,164	135,164	0
3. TEFAP Administrative Expense........................	49,999	49,822	50,000	178
TOTAL, Temporary Emergency Food Assistance Program.............................	305,163	304,559	305,164	605
LESS: Bonus Commodities............................	135,164	135,164	135,164	0
TOTAL, FNS TEFAP Account..................................	169,999	169,395	170,000	605

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FOOD AND NUTRITION SERVICE

Food Assistance Table
Program Level under Current Law
(Dollars in Thousands)

	1989 Actual	1990 Estimate	1991 Estimate	Change 1990-1991
G. Bonus Commodities to Other Outlets:				
1. Charitable Institutions				
a. Section 32 commodities	5,094	5,094	5,094	0
b. Section 416 commodities	109,876	109,876	109,876	0
2. Summer Camps				
a. Section 32 commodities	6	6	6	0
b. Section 416 commodities	3,164	3,164	3,164	0
3. Disaster Feeding				
a. Section 32 commodities	22	22	22	0
b. Section 416 commodities	65	65	65	0
TOTAL, Bonus Commodities to Other Outlets	118,227	118,227	118,227	0
H. Food Program Administration:				
1. Child nutrition	28,858	29,734	31,366	1,632
2. Special milk	161	165	175	10
3. Supplemental feeding	7,299	7,521	7,934	413
4. Food stamp	51,042	52,590	55,476	2,886
5. Cash and commodity subsidies	1,874	1,931	2,037	106
TOTAL, Food Program Administration	89,234	91,941	96,988	5,047
GRAND TOTAL, Food Assistance	21,900,968	24,342,393	24,651,678	309,285
LESS: Section 32 commodities for Child Nutriten	342,071	350,900	350,900	0
AMS bonus commodities	75,174	75,174	75,174	0
CCC bonus commodities	540,204	540,204	540,204	0
TOTAL, FNS Accounts	20,943,519	23,376,115	23,685,400	309,285

FOOD AND NUTRITION SERVICE

Food Assistance Table
Outlays under Current Law
(Dollars in Thousands)

	1989 Actual	1990 Estimate	1991 Estimate	Change 1990-1991
A. Child Nutrition Programs:				
1. Program grants to States:				
a. School Lunch Program	3,022,905	3,254,487	3,376,597	122,110
b. School Breakfast Program	499,112	569,478	600,286	30,808
c. Child and Adult Care Food Program	679,615	786,331	866,206	79,875
d. Summer Food Service Program	110,455	161,552	177,456	15,904
e. State administrative expenses	50,421	64,136	62,295	-1,841
TOTAL, Cash payments to States	4,362,508	4,835,984	5,082,840	246,856
2. Commodities to States (including cash in lieu of commodities):				
a. FNS commodities	182,715	217,899	223,666	5,767
b. AMS Section 32 commodities	342,071	350,900	350,900	0
c. CCC bonus commodities	0	0	0	0
d. AMS bonus commodities	0	0	0	0
TOTAL, Commodities to States	524,786	568,799	574,566	5,767
3. Nutrition studies and education:				
a. Nutrition studies and surveys, section 6(a)(3)	2,085	3,042	3,085	43
b. Nutrition education and training, section 19	5,000	5,000	5,000	0
c. Child Nutrition Federal Review System	3,273	4,313	5,563	1,250
TOTAL, Nutrition studies and education	10,358	12,355	13,648	1,293
TOTAL, Child Nutrition Programs	4,897,652	5,417,138	5,671,054	253,916
LESS: AMS Section 32 commodities	342,071	350,900	350,900	0
CCC bonus commodities	0	0	0	0
AMS bonus commodities	0	0	0	0
TOTAL, FNS Child Nutrition Account	4,555,581	5,066,238	5,320,154	253,916
B. Special Milk Program: Cash Payments	18,544	18,931	21,958	3,027
C. Special Supplemental Food Program (WIC):				
1. Cash grants to States	1,939,784	2,120,400	2,205,186	84,786
2. Studies and evaluations	2,310	7,095	4,998	-2,097
TOTAL, FNS Special Supplemental Food Program Account	1,942,094	2,127,495	2,210,184	82,689
D. Food Stamp Program:				
1. Benefit costs	11,604,942	13,611,580	14,134,203	722,623
2. State administrative costs	1,054,432	1,195,318	1,222,939	27,621
3. Other program costs	159,546	239,855	208,176	-31,679
4. Excess state error liabilities	0	0	-100,000	-100,000
5. Transfer to extension Service	0	0	0	0
6. Unobligated balance, lapsing	0	0	0	0
7. Adjustments in expired accounts	0	-477,407	0	477,407
8. Nutrition Assistance for Puerto Rico	906,173	936,986	1,874	-935,112
TOTAL, FNS Food Stamp Program Account	13,725,093	15,306,332	15,467,192	160,860

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FOOD AND NUTRITION SERVICE

Food Assistance Table
Outlays under Current Law
(Dollars in Thousands)

	1989 Actual	1990 Estimate	1991 Estimate	Change 1990-1991
E. Food Donations Programs:				
1. Food Distribution Program on Indian Reservations:				
a. Commodities in lieu of food stamps	32,295	45,442	54,970	9,528
b. Distributing agency administrative costs	13,149	15,664	16,783	1,119
c. Section 32 bonus commodities	0	0	0	0
d. Section 416 bonus commodities	0	0	0	0
TOTAL, Food Distribution Program on Reservations	45,444	61,106	71,753	10,647
LESS: Bonus commodities	0	0	0	0
TOTAL, FNS Food Distribution Program on Indian Reservations Account	45,444	61,106	71,753	10,647
2. Nutrition Program for the Elderly:				
a. Commodities	10,301	8,574	9,656	1,082
b. Cash in lieu of commodities	133,639	134,486	138,894	4,408
c. Section 32 Bonus Commodities				
d. Section 416 Bonus Commodities				
TOTAL, Nutrition Program for the Elderly	143,940	143,060	148,550	5,490
LESS: Bonus Commodities	0	0	0	0
TOTAL, FNS Nutrition Program for the Elderly Account	143,940	143,060	148,550	5,490
3. Commodities for Soup Kitchens	39,982	39,458	32,000	-7,458
4. Commodity Supplemental Food Program (CSFP):				
a. Commodities for supplemental food	43,228	56,396	50,507	-5,889
b. Payments to distributing agencies for administration	7,396	9,818	9,467	-351
c. Special administrative funds	2,215	2,117	3,465	1,348
d. CCC donations	0	0		0
SUBTOTAL, Commodity Supplemental Food Program (CSFP)	52,839	68,331	63,439	-4,892
LESS: CCC Donations	0	0	0	0
TOTAL, FNS CSFP Account	52,839	68,331	63,439	-4,892
TOTAL, FNS Food Donations Programs Account	282,205	311,955	315,742	3,787
F. Temporary Emergency Food Assistance Program (TEFAP):				
1. FNS Commodities	120,000	119,573	120,000	427
2. CCC Bonus Commodities	0	0	0	0
3. TEFAP Administrative Expense	40,846	52,518	49,928	-2,590
TOTAL, Temporary Emergency Food Assistance Program	160,846	172,091	169,928	-2,163
LESS: Bonus Commodities	0	0	0	0
TOTAL, FNS TEFAP Account	160,846	172,091	169,928	-2,163

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FOOD AND NUTRITION SERVICE

Food Assistance Table
Outlays under Current Law
(Dollars in Thousands)

	1989 Actual	1990 Estimate	1991 Estimate	Change 1990-1991
G. Bonus Commodities to Other Outlets:				
1. Charitable Institutions				
a. Section 32 commodities	0	0	0	0
b. Section 416 commodities	0	0	0	0
2. Summer Camps				
a. Section 32 commodities	0	0	0	0
b. Section 416 commodities	0	0	0	0
3. Disaster Feeding				
a. Section 32 commodities	0	0	0	0
b. Section 416 commodities	0	0	0	0
TOTAL, Bonus Commodities to Other Outlets	0	0	0	0
H. Food Program Administration:				
1. Child nutrition	29,084	30,045	31,118	1,073
2. Special milk	162	167	173	6
3. Supplemental feeding	7,356	7,600	7,871	271
4. Food stamp	51,441	53,141	55,039	1,898
5. Cash and commodity subsidies	1,889	1,951	2,021	70
TOTAL, Food Program Administration	89,932	92,904	96,222	3,318
GRAND TOTAL, Food Assistance	21,116,366	23,446,846	23,952,280	505,434
LESS: Section 32 commodities for Child Nutriton	342,071	350,900	350,900	0
AMS bonus commodities	0	0	0	0
CCC bonus commodities	0	0	0	0
TOTAL, FNS Accounts	20,774,295	23,095,946	23,601,380	505,434

FOOD AND NUTRITION SERVICE

Food Assistance Table
Budget Authority at the Recommended Level
(Dollars in Thousands)

	1989 Actual	1990 Estimate	1991 Estimate	Change 1990-1991
A. Child Nutrition Programs:				
1. Program grants to States:				
a. School Lunch Program	3,025,352	3,105,528	3,150,760	45,232
b. School Breakfast Program	514,498	563,926	606,036	42,110
c. Child and Adult Care Food Program	655,932	757,288	513,249	-244,039
d. Summer Food Service Program	147,824	170,872	179,716	8,844
e. State administrative expenses	58,411	60,647	64,389	3,742
TOTAL, Cash payments to States	4,402,017	4,658,261	4,514,150	-144,111
2. Commodities to States (including cash in lieu of commodities):				
a. FNS commodities	176,514	194,035	115,682	-78,353
b. AMS Section 32 commodities	350,900	350,900	350,900	0
c. CCC bonus commodities	0	0	0	0
d. AMS bonus commodities	0	0	0	0
TOTAL, Commodities to States	527,414	544,935	466,582	-78,353
3. Nutrition studies and education:				
a. Nutrition studies and surveys, section 6(a)(3)	2,085	3,142	3,085	-57
b. Nutrition education and training, section 19	5,000	5,000	5,000	0
c. Child Nutrition Federal Review System	5,200	3,600	5,653	2,053
TOTAL, Nutrition studies and education	12,285	11,742	13,738	1,996
TOTAL, Child Nutrition Programs	4,941,716	5,214,938	4,994,470	-220,468
LESS: AMS Section 32 commodities	350,900	350,900	350,900	0
CCC bonus commodities	0	0	0	0
AMS bonus commodities	0	0	0	0
TOTAL, FNS Child Nutrition Account	4,590,816	4,864,038	4,643,570	-220,468
B. Special Milk Program: Cash Payments	19,925	20,309	19,268	-1,041
C. Special Supplemental Food Program (WIC):				
1. Cash grants to States	1,926,342	2,121,000	2,210,248	89,248
2. Studies and evaluations	3,000	4,958	5,000	42
TOTAL, FNS Special Supplemental Food Program Account	1,929,342	2,125,958	2,215,248	89,290
D. Food Stamp Program:				
1. Benefit costs	11,618,593	13,401,276	14,084,276	683,000
2. State administrative costs	1,100,193	1,165,603	1,230,222	64,619
3. Other program costs	196,543	202,710	192,183	-10,527
4. Excess state error liabilities	0	0	-100,000	-100,000
5. Transfer to extension Service	0	0	0	0
6. Unobligated balance, lapsing	0	0	500,000	500,000
7. Adjustments in expired accounts	0	0	0	0
8. Nutrition Assistance for Puerto Rico	908,250	936,750	0	-936,750
TOTAL, FNS Food Stamp Program Account	13,823,579	15,706,339	15,906,681	200,342

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FOOD AND NUTRITION SERVICE

Food Assistance Table
Budget Authority at the Recommended Level
(Dollars in Thousands)

	1989 Actual	1990 Estimate	1991 Estimate	Change 1990-1991
E. Food Donations Programs:				
1. Food Distribution Program on Indian Reservations:				
a. Commodities in lieu of food stamps..............	41,758	43,530	58,011	14,481
b. Distributing agency administrative costs.........	16,096	16,610	16,830	220
c. Section 32 bonus commodities.....................				
d. Section 416 bonus commodities....................				
TOTAL, Food Distribution Program on Reservations......	57,854	60,140	74,841	14,701
LESS: Bonus commodities.............................	0	0	0	0
TOTAL, FNS Food Distribution Program on Indian Reservations Account...........	57,854	60,140	74,841	14,701
2. Nutrition Program for the Elderly:				
a. Commodities......................................	9,301	9,327	9,743	416
b. Cash in lieu of commodities......................	131,992	134,155	140,154	5,999
c. Section 32 Bonus Commodities.....................				
d. Section 416 Bonus Commodities....................				
TOTAL, Nutrition Program for the Elderly..............	141,293	143,482	149,897	6,415
LESS: Bonus Commodities.............................	0	0	0	0
TOTAL, FNS Nutrition Program for the Elderly Account..........................	141,293	143,482	149,897	6,415
3. Commodities for Soup Kitchens......................	40,000	39,440	32,000	-7,440
4. Commodity Supplemental Food Program (CSFP):				
a. Commodities for supplemental food...............	38,812	53,530	49,863	-3,667
b. Payments to distributing agencies for administration..................	7,500	9,754	9,440	-314
c. Special administrative funds.....................	3,688	1,744	3,629	1,885
d. CCC donations....................................	0	0	0	0
SUBTOTAL, Commodity Supplemental Food Program (CSFP)..	50,000	65,028	62,932	-2,096
LESS: CCC Donations.................................	0	0	0	0
TOTAL, FNS CSFP Account...............................	50,000	65,028	62,932	-2,096
TOTAL, FNS Food Donations Programs Account...............	289,147	308,090	319,670	11,580
F. Temporary Emergency Food Assistance Program (TEFAP):				
1. FNS Commodities....................................	120,000	119,573	120,000	427
2. CCC Bonus Commodities..............................	0	0	0	0
3. TEFAP Administrative Expense.......................	50,000	49,822	50,000	178
TOTAL, Temporary Emergency Food Assistance Program..............................	170,000	169,395	170,000	605
LESS: Bonus Commodities.............................	0	0	0	0
TOTAL, FNS TEFAP Account..................................	170,000	169,395	170,000	605

Continued on next page

FOOD AND NUTRITION SERVICE

Food Assistance Table
Budget Authority at the Recommended Level
(Dollars in Thousands)

	1989 Actual	1990 Estimate	1991 Estimate	Change 1990-1991
G. Bonus Commodities to Other Outlets:				
1. Charitable Institutions				
a. Section 32 commodities	0	0	0	0
b. Section 416 commodities	0	0	0	0
2. Summer Camps				
a. Section 32 commodities	0	0	0	0
b. Section 416 commodities	0	0	0	0
3. Disaster Feeding				
a. Section 32 commodities	0	0	0	0
b. Section 416 commodities	0	0	0	0
TOTAL, Bonus Commodities to Other Outlets	0	0	0	0
H. Food Program Administration:				
1. Child nutrition	28,855	29,665	31,297	1,632
2. Special milk	161	165	175	10
3. Supplemental feeding	7,298	7,503	7,917	414
4. Food stamp	51,035	52,468	55,357	2,889
5. Cash and commodity subsidies	1,874	1,926	2,032	106
TOTAL, Food Program Administration	89,223	91,727	96,778	5,051
GRAND TOTAL, Food Assistance	21,262,952	23,636,754	23,722,115	85,359
LESS: Section 32 commodities for Child Nutriton	350,900	350,900	350,900	0
AMS bonus commodities	0	0	0	0
CCC bonus commodities	0	0	0	0
TOTAL, FNS Accounts	20,912,052	23,285,856	23,371,215	85,359

FOOD AND NUTRITION SERVICE

Food Assistance Table
Program Level at the Recommended Level
(Dollars in Thousands)

	1989 Actual	1990 Estimate	1991 Estimate	Change 1990-1991
A. Child Nutrition Programs:				
1. Program grants to States:				
a. School Lunch Program	3,082,247	3,204,273	3,329,521	125,248
b. School Breakfast Program	513,032	564,367	606,036	41,669
c. Child and Adult Care Food Program	677,431	716,866	513,249	-203,617
d. Summer Food Service Program	146,672	163,344	179,716	16,372
e. State administrative expenses	59,802	59,886	64,389	4,503
TOTAL, Cash payments to States	4,679,184	4,708,736	4,692,911	-15,825
2. Commodities to States (including cash in lieu of commodities):				
a. FNS commodities	182,715	204,097	115,682	-88,415
b. AMS Section 32 commodities	342,071	350,900	350,900	0
c. CCC bonus commodities	260,713	260,713	260,713	0
d. AMS bonus commodities	68,507	68,507	68,507	0
TOTAL, Commodities to States	854,006	884 217	795,802	-88,415
3. Nutrition studies and education:				
a. Nutrition studies and surveys, section 6(a)(3)	2,037	3,042	3,085	43
b. Nutrition education and training, section 19	5,000	5,000	5,000	0
c. Child Nutrition Federal Review System	3,797	5,003	5,653	650
TOTAL, Nutrition studies and education	10,834	13,045	13,738	693
TOTAL, Child Nutrition Programs	5,344,024	5,605,998	5,502,451	-103,547
LESS: AMS Section 32 commodities	342,071	350,900	350,900	0
CCC bonus commodities	260,713	260,713	260,713	0
AMS bonus commodities	68,507	68,507	68,507	0
TOTAL, FNS Child Nutrition Account	4,672,733	4,925,878	4,822,331	-103,547
B. Special Milk Program: Cash Payments	19,905	20,943	22,218	1,275
C. Special Supplemental Food Program (WIC):				
1. Cash grants to States	1,925,926	2,121,440	2,210,248	88,808
2. Studies and evaluations	3,000	4,958	5,000	42
TOTAL, FNS Special Supplemental Food Program Account	1,928,926	2,126,398	2,215,248	88,850
D. Food Stamp Program:				
1. Benefit costs	11,604,412	13,401,276	14,084,276	683,000
2. State administrative costs	1,076,574	1,165,603	1,230,222	64,619
3. Other program costs	178,541	202,710	192,183	-10,527
4. Excess state error liabilities	0	0	0	0
5. Transfer to extension Service	0	0	0	0
6. Unobligated balance, lapsing	0	0	0	0
7. Adjustments in expired accounts	0	0	0	0
8. Nutrition Assistance for Puerto Rico	908,250	936,750	0	-936,750
TOTAL, FNS Food Stamp Program Account	13,767,777	15,706,339	15,506,681	-199,658

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FOOD AND NUTRITION SERVICE

Food Assistance Table
Program Level at the Recommended Level
(Dollars in Thousands)

	1989 Actual	1990 Estimate	1991 Estimate	Change 1990-1991
E. Food Donations Programs:				
1. Food Distribution Program on Indian Reservations:				
a. Commodities in lieu of food stamps..............	41,696	43,530	58,011	14,481
b. Distributing agency administrative costs........	15,383	16,610	16,830	220
c. Section 32 bonus commodities....................	0	0	0	0
d. Section 416 bonus commodities...................	8,185	8,185	8,185	0
TOTAL, Food Distribution Program on Reservations......	65,264	68,325	83,026	14,701
LESS: Bonus commodities............................	8,185	8,185	8,185	0
TOTAL, FNS Food Distribution Program on Indian Reservations Account...........	57,079	60,140	74,841	14,701
2. Nutrition Program for the Elderly:				
a. Commodities.....................................	9,301	9,327	9,743	416
b. Cash in lieu of commodities.....................	131,562	134,155	140,154	5,999
c. Section 32 Bonus Commodities....................	1,545	1,545	1,545	0
d. Section 416 Bonus Commodities...................	1,978	1,978	1,978	0
TOTAL, Nutrition Program for the Elderly.............	144,386	147,005	153,420	6,415
LESS: Bonus Commodities............................	3,523	3,523	3,523	0
TOTAL, FNS Nutrition Program for the Elderly Account..........................	140,863	143,482	149,897	6,415
3. Commodities for Soup Kitchens......................	40,000	39,440	32,000	-7,440
4. Commodity Supplemental Food Program (CSFP):				
a. Commodities for supplemental food...............	46,404	57,263	49,863	-7,400
b. Payments to distributing agencies for administration..................	7,860	9,754	9,440	-314
c. Special administrative funds....................	2,739	1,744	3,629	1,885
d. CCC donations...................................	21,059	9,059	21,059	12,000
SUBTOTAL, Commodity Supplemental Food Program (CSFP)..	78,062	77,820	83,991	6,171
LESS: CCC Donations................................	21,059	9,059	21,059	12,000
TOTAL, FNS CSFP Account..............................	57,003	68,761	62,932	-5,829
TOTAL, FNS Food Donations Programs Account...............	294,945	311,823	319,670	7,847
F. Temporary Emergency Food Assistance Program (TEFAP):				
1. FNS Commodities....................................	120,000	119,573	120,000	427
2. CCC Bonus Commodities..............................	135,164	135,164	135,164	0
3. TEFAP Administrative Expense.......................	49,999	49,822	50,000	178
TOTAL, Temporary Emergency Food Assistance Program..............................	305,163	304,559	305,164	605
LESS: Bonus Commodities............................	135,164	135,164	135,164	0
TOTAL, FNS TEFAP Account.................................	169,999	169,395	170,000	605

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FOOD AND NUTRITION SERVICE

Food Assistance Table
Program Level at the Recommended Level
(Dollars in Thousands)

	1989 Actual	1990 Estimate	1991 Estimate	Change 1990-1991
G. Bonus Commodities to Other Outlets:				
1. Charitable Institutions				
a. Section 32 commodities	5,094	5,094	5,094	0
b. Section 416 commodities	109,876	109,876	109,876	0
2. Summer Camps				
a. Section 32 commodities	6	6	6	0
b. Section 416 commodities	3,164	3,164	3,164	0
3. Disaster Feeding				
a. Section 32 commodities	22	22	22	0
b. Section 416 commodities	65	65	65	0
TOTAL, Bonus Commodities to Other Outlets	118,227	118,227	118,227	0
H. Food Program Administration:				
1. Child nutrition	28,858	29,734	31,366	1,632
2. Special milk	161	165	175	10
3. Supplemental feeding	7,299	7,521	7,934	413
4. Food stamp	51,042	52,590	55,476	2,886
5. Cash and commodity subsidies	1,874	1,931	2,037	106
TOTAL, Food Program Administration	89,234	91,941	96,988	5,047
GRAND TOTAL, Food Assistance	21,900,968	24,318,995	24,119,414	-199,581
LESS: Section 32 commodities for Child Nutriton	342,071	350,900	350,900	0
AMS bonus commodities	75,174	75,174	75,174	0
CCC bonus commodities	540,204	540,204	540,204	0
TOTAL, FNS Accounts	20,943,519	23,352,717	23,153,136	-199,581

FOOD AND NUTRITION SERVICE

Food Assistance Table
Outlays at the Recommended Level
(Dollars in Thousands)

	1989 Actual	1990 Estimate	1991 Estimate	Change 1990-1991
A. Child Nutrition Programs:				
1. Program grants to States:				
a. School Lunch Program	3,022,905	3,246,215	3,312,237	66,022
b. School Breakfast Program	499,112	569,478	600,286	30,808
c. Child and Adult Care Food Program	679,615	786,331	623,853	-162,478
d. Summer Food Service Program	110,455	161,552	177,456	15,904
e. State administrative expenses	50,421	64,136	62,295	-1,841
TOTAL, Cash payments to States	4,362,508	4,827,712	4,776,127	-51,585
2. Commodities to States (including cash in lieu of commodities):				
a. FNS commodities	182,715	204,097	115,682	-88,415
b. AMS Section 32 commodities	342,071	350,900	350,900	0
c. CCC bonus commodities	0	0	0	0
d. AMS bonus commodities	0	0	0	0
TOTAL, Commodities to States	524,786	554,997	466,582	-88,415
3. Nutrition studies and education:				
a. Nutrition studies and surveys, section 6(a)(3)	2,085	3,042	3,085	43
b. Nutrition education and training, section 19	5,000	5,000	5,000	0
c. Child Nutrition Federal Review System	3,273	4,313	5,563	1,250
TOTAL, Nutrition studies and education	10,358	12,355	13,648	1,293
TOTAL, Child Nutrition Programs	4,897,652	5,395,064	5,256,357	-138,707
LESS: AMS Section 32 commodities	342,071	350,900	350,900	0
CCC bonus commodities	0	0	0	0
AMS bonus commodities	0	0	0	0
TOTAL, FNS Child Nutrition Account	4,555,581	5,044,164	4,905,457	-138,707
B. Special Milk Program: Cash Payments	18,544	18,931	21,958	3,027
C. Special Supplemental Food Program (WIC):				
1. Cash grants to States	1,939,784	2,120,400	2,205,186	84,786
2. Studies and evaluations	2,310	7,095	4,998	-2,097
TOTAL, FNS Special Supplemental Food Program Account	1,942,094	2,127,495	2,210,184	82,689
D. Food Stamp Program:				
1. Benefit costs	11,604,942	13,411,580	14,084,208	672,628
2. State administrative costs	1,054,432	1,195,318	1,222,939	27,621
3. Other program costs	159,546	239,855	190,430	-49,425
4. Excess state error liabilities	0	0	-100,000	-100,000
5. Transfer to extension Service	0	0	0	0
6. Unobligated balance, lapsing	0	0	0	0
7. Adjustments in expired accounts	0	-477,407	0	477,407
8. Nutrition Assistance for Puerto Rico	906,173	936,986	1,874	-935,112
TOTAL, FNS Food Stamp Program Account	13,725,093	15,306,332	15,399,451	93,119

Continued on next page

FOOD AND NUTRITION SERVICE

Food Assistance Table
Outlays at the Recommended Level
(Dollars in Thousands)

	1989 Actual	1990 Estimate	1991 Estimate	Change 1990-1991
E. Food Donations Programs:				
1. Food Distribution Program on Indian Reservations:				
a. Commodities in lieu of food stamps	32,295	45,442	54,970	9,528
b. Distributing agency administrative costs	13,149	15,664	16,783	1,119
c. Section 32 bonus commodities	0	0	0	0
d. Section 416 bonus commodities	0	0	0	0
TOTAL, Food Distribution Program on Reservations	45,444	61,106	71,753	10,647
LESS: Bonus commodities	0	0	0	0
TOTAL, FNS Food Distribution Program on Indian Reservations Account	45,444	61,106	71,753	10,647
2. Nutrition Program for the Elderly:				
a. Commodities	10,301	8,574	9,656	1,082
b. Cash in lieu of commodities	133,639	134,486	138,894	4,408
c. Section 32 Bonus Commodities				
d. Section 416 Bonus Commodities				
TOTAL, Nutrition Program for the Elderly	143,940	143,060	148,550	5,490
LESS: Bonus Commodities	0	0	0	0
TOTAL, FNS Nutrition Program for the Elderly Account	143,940	143,060	148,550	5,490
3. Commodities for Soup Kitchens	39,982	39,458	32,000	-7,458
4. Commodity Supplemental Food Program (CSFP):				
a. Commodities for supplemental food	43,228	56,396	50,507	-5,889
b. Payments to distributing agencies for administration	7,396	9,818	9,467	-351
c. Special administrative funds	2,215	2,117	3,465	1,348
d. CCC donations	0	0	0	0
SUBTOTAL, Commodity Supplemental Food Program (CSFP)	52,839	68,331	63,439	-4,892
LESS: CCC Donations	0	0	0	0
TOTAL, FNS CSFP Account	52,839	68,331	63,439	-4,892
TOTAL, FNS Food Donations Programs Account	282,205	311,955	315,742	3,787
F. Temporary Emergency Food Assistance Program (TEFAP):				
1. FNS Commodities	120,000	119,573	120,000	427
2. CCC Bonus Commodities	0	0	0	0
3. TEFAP Administrative Expense	40,846	52,518	49,928	-2,590
TOTAL, Temporary Emergency Food Assistance Program	160,846	172,091	169,928	-2,163
LESS: Bonus Commodities	0	0	0	0
TOTAL, FNS TEFAP Account	160,846	172,091	169,928	-2,163

Continued on next page

FOOD AND NUTRITION SERVICE

Food Assistance Table
Outlays at the Recommended Level
(Dollars in Thousands)

	1989 Actual	1990 Estimate	1991 Estimate	Change 1990-1991
G. Bonus Commodities to Other Outlets:				
1. Charitable Institutions				
a. Section 32 commodities	0	0	0	0
b. Section 416 commodities	0	0	0	0
2. Summer Camps				
a. Section 32 commodities	0	0	0	0
b. Section 416 commodities	0	0	0	0
3. Disaster Feeding				
a. Section 32 commodities	0	0	0	0
b. Section 416 commodities	0	0	0	0
TOTAL, Bonus Commodities to Other Outlets	0	0	0	0
H. Food Program Administration:				
1. Child nutrition	29,084	30,045	31,118	1,073
2. Special milk	162	167	173	6
3. Supplemental feeding	7,356	7,600	7,871	271
4. Food stamp	51,441	53,141	55,039	1,898
5. Cash and commodity subsidies	1,889	1,951	2,021	70
TOTAL, Food Program Administration	89,932	92,904	96,222	3,318
GRAND TOTAL, Food Assistance	21,116,366	23,424,772	23,469,842	45,070
LESS: Section 32 commodities for Child Nutriton	342,071	350,900	350,900	0
AMS bonus commodities	0	0	0	0
CCC bonus commodities	0	0	0	0
TOTAL, FNS Accounts	20,774,295	23,073,872	23,118,942	45,070

FOOD AND NUTRITION SERVICE

The estimates include proposed changes in the language of this item as follows (new language underscored; deleted matter enclosed in brackets):

State Child Nutrition [Programs] Payments (Including Transfers of Funds)

For necessary expenses to carry out the National School Lunch Act
(42 U.S.C. 1751-1769b), and the applicable provisions other than
sections 3 and 17 of the Child Nutrition Act of 1966 (42
U.S.C.1773-1785, and 1788-1789); [$4,887,494,000] $5,105,834,000,
1 to remain available through September 30, [1991] 1992, of which
[$730,940,000] $473,575,000 is hereby appropriated and [$4,156,554,000]
$4,632,259,000 shall be derived by transfer from funds available under
section 32 of the Act of August 24, 1935(7 U.S.C. 612c): Provided, That
funds appropriated for the purpose of section 7 of the Child Nutrition Act
of 1966 shall be allocated among the States but the distribution of such
funds to an individual State is contingent upon that State's agreement to
participate in studies and surveys of programs authorized under the
National School Lunch Act and the Child Nutrition Act of 1966, when such
studies and surveys have been directed by the Congress and requested by the
Secretary of Agriculture: Provided further, That if the Secretary of
Agriculture determines that a State's administration of any program under
the National School Lunch Act or the Child Nutrition Act of 1966 (other
than section 17), or the regulations issued pursuant to these Acts, is
seriously deficient, and the State fails to correct the deficiency within a
specified period of time, the Secretary may withhold from the State some or
all of the funds allocated to the State under section 7 of the Child
Nutrition Act of 1966 and under section 13(k)(1) of the National School
Lunch Act; upon a subsequent determination by the Secretary that the
programs are operated in an acceptable manner some or all of the funds
withheld may be allocated: Provided further, That only final reimbursement
claims for service of meals, supplements, and milk submitted to State
agencies by eligible schools, summer camps, institutions, and service
institutions within sixty days following the month for which the
reimbursement is claimed shall be eligible for reimbursement from funds
appropriated under this Act. States may receive program funds appropriated
under this Act for meals, supplements, and milk served during any month
only if the final program operations report for such month is submitted to
the Department within ninety days following that month. Exceptions to these
claims or reports submission requirements may be made at the discretion of
the Secretary: Provided further, That up to [$3,600,000] $5,653,000 shall
be available for independent verification of school food service claims
2 [: Provided further, That $500,000 shall be available to establish the Food
Service Management Institute at the University of Mississippi].

The first change makes the 1991 appropriation available until September 30, 1992.

The second change deletes a provision applicable to 1990 that is no longer necessary, because the required action has been taken.

CHILD NUTRITION PROGRAMS - CURRENT LAW

Appropriations Act, 1990		$4,887,494,000
Budget Estimate, 1991		5,105,834,000
Increase in Appropriation		+218,340,000
Adjustments in 1990		
Appropriation Act. 1990	$4,887,494,000	
Gramm-Rudman-Hollings Reduction (P.L. 99-177)	-58,000	
Adjusted base for 1990		4,887,436,000
Budget Estimate, Current Law, 1991		5,105,834,000
Increase over adjusted 1990		+218,398,000

CHILD NUTRITION PROGRAMS - PROPOSED LEGISLATION

Budget Estimate, Current Law, 1991	$5,105,834,000
Change due to proposed legislation	-462,264,000
Net request, President's 1991 Budget Request	4,643,570,000

SUMMARY OF INCREASES AND DECREASES - CURRENT LAW
(On basis of adjusted appropriation)

Item of Change	1990 Estimated	Pay Act	Program Changes	1991 Estimated
School lunch program	$3,115,124,000	—	+$108,764,000	$3,223,888,000
School breakfast program	563,926,000	—	+42,110,000	606,036,000
State administrative expenses	60,647,000	—	+3,742,000	64,389,000
Summer food service program	170,872,000	--	+8,844,000	179,716,000
Child care food program	757,288,000	--	+37,113,000	794,401,000
Commodity procurement	207,837,000	—	+15,829,000	223,666,000
Nutrition studies and surveys	3,142,000	--	-57,000	3,085,000
Nutrition education and training	5,000,000	—	—	5,000,000
Federal Review System	3,600,000	+$53,000	+2,000,000	5,653,000
Total Appropriation	4,887,436,000	+53,000	+218,345,000	5,105,834,000
Proposed Legislation	-23,398,000			-462,264,000
Total Available, President's Budget a/	4,864,038,000			4,643,570,000

a/ The level of available funding in Fiscal Year 1990 assumes the implementation of proposed legislation on July 1, 1990, with resulting reduction of $23,398,000.

PROJECT STATEMENT - CURRENT LAW
(On basis of adjusted appropriation)

Project	1989 Actual	1990 Estimated	Increase or Decrease	1991 Estimated
1. Cash payments to States:				
(a) School lunch program:				
(1) Above 185% of poverty	$306,468,000	$315,868,000	+$11,034,000	$326,902,000
(2) 130-185% of poverty	287,408,000	295,621,000	+10,326,000	305,947,000

Project	1989 Actual	1990 Estimated	Increase or Decrease	1991 Estimated
(3) Below 130% of poverty	2,431,476,000	2,503,635,000	+87,404,000	2,591,039,000
Total, School lunch	3,025,352,000	3,115,124,000	+108,764,000 (1)	3,223,888,000
(b) School breakfast program:				
(1) Above 185% of poverty	10,599,000	13,873,000	+1,035,000	14,908,000
(2) 130-185% of poverty	17,339,000	21,034,000	+1,571,000	22,605,000
(3) Below 130% of poverty	486,560,000	529,019,000	+39,504,000	568,523,000
Total, School breakfast	514,498,000	563,926,000	+42,110,000 (2)	606,036,000
(c) State administrative expenses	58,411,000	60,647,000	+3,742,000 (3)	64,389,000
(d) Summer food service program	147,824,000	170,872,000	+8,844,000 (4)	179,715,000
(e) Child and adult care food program:				
(1) Meal Service:				
(a) Above 185% of poverty	237,053,000	310,782,000	-683,000	310,099,000
(b) 130-185% of poverty	26,737,000	29,143,000	+2,534,000	31,677,000
(c) Below 130% of poverty	382,142,000	405,299,000	+33,518,000	438,817,000
Subtotal	645,932,000	745,224,000	+35,369,000	780,593,000
(2) Audit expenses	10,000,000	12,064,000	+1,744,000	13,808,000
Total, Child and adult care food program	655,932,000	757,288,000	+37,113,000 (5)	794,401,000
2. Commodity procurement:				
(a) Commodities	143,153,000	168,556,000	+12,837,000	181,393,000
(b) Cash in lieu of commodities	33,361,000	39,281,000	+2,992,000	42,273,000
Total, Commodity procurement	176,514,000	207,837,000	+15,829,000 (6)	223,666,000
3. Nutrition studies and education:				
(a) Nutrition studies and surveys	2,085,000	3,142,000	-57,000 (7)	3,085,000
(b) Nutrition education and training	5,000,000	5,000,000	—	5,000,000
Total, Nutrition studies and education	7,085,000	8,142,000	-57,000	8,085,000
4. Federal Review System	5,200,000	3,600,000	+2,053,000 (8)	5,653,000
Total, Available or Estimate	4,590,816,000	4,887,436,000	+218,398,000	5,105,834,000
Gramm-Rudman-Hollings Reduction	—	58,000	-58,000	—
Total, Appropriation	4,590,816,000	4,887,494,000	+218,340,000	5,105,834,000

PROJECT STATEMENT - CURRENT LAW
(On basis of adjusted available funds)

Project	1989 Actual	1990 Estimated	Increase or Decrease	1991 Estimated
1. Cash payments to States:				
(a) School lunch program:				
(1) Above 185% of poverty	$312,540,000	$325,886,000	+$19,143,000	$345,029,000
(2) 130-185% of poverty	292,505,000	304,996,000	+17,915,000	322,911,000

Project	1989 Actual	1990 Estimated	Increase or Decrease	1991 Estimated
(3) Below 130% of poverty	2,477,201,238	2,582,987,000	+151,721,367	2,734,708,367
Total, School lunch	3,082,246,238	3,213,869,000	+188,779,367(1)	3,402,648,367
(b) School breakfast program:				
(1) Above 185% of poverty	12,620,597	13,883,000	+1,025,000	14,908,000
(2) 130-185% of poverty	19,136,110	21,051,000	+1,554,000	22,605,000
(3) Below 130% of poverty	481,275,724	529,433,000	+39,090,000	568,523,000
Total, School breakfast	513,032,431	564,367,000	+41,669,000(2)	606,036,000
(c) State administrative expenses ....a/	59,801,612	59,885,990	+4,503,235(3)	64,389,225
(d) Summer food service program ....b/	146,672,193	163,344,000	+16,372,000(4)	179,716,000
(e) Child and adult care food program:				
(1) Meal service				
(a) Above 185% of poverty	266,645,167	278,198,000	+31,901,000	310,099,000
(b) 130-185% of poverty	26,990,018	28,837,000	+2,840,000	31,677,000
(c) Below 130% of poverty	374,882,235	397,805,000	+41,012,000	438,817,000
Subtotal	668,517,420	704,840,000	+75,753,000	780,593,000
(2) Audit expenses ...	8,913,750	12,026,000	+1,782,000	13,808,000
Total, Child and adult care food program....	677,431,170	716,866,000	+77,535,000(5)	794,401,000
2. Commodity procurement:				
(a) Commodities	148,200,000	176,738,000	+4,677,000	181,415,000
(b) Cash in lieu of commodities	34,515,000	41,161,000	+1,090,000	42,251,000
Total, Commodity procurement	182,715,000	217,899,000	+5,767,000(6)	223,666,000
3. Nutrition studies and education:				
(a) Nutrition studies and surveys	2,036,485	3,042,000	+43,000(7)	3,085,000
(b) Nutrition education and training	4,999,823	5,000,000	0	5,000,000
Total, Nutrition studies and education	7,036,308	8,042,000	+43,000	8,085,000
4. Federal Review System .c/	3,797,041	5,003,000	+650,000(8)	5,653,000
Total, Obligations	4,672,731,993	4,949,275,990	+335,318,602	5,284,594,592
Recovery of prior year obligations	-59,382,310			
Unobligated balances:				
Available, start of year	-266,243,759	-240,600,582	+61,839,990	-178,760,592
Available, end of year ..	+240,600,582	178,760,592	-178,760,592	—
Lapsing	+3,109,279	—	—	—
Total, Available or Estimate..	4,590,815,785	4,887,436,000	+218,398,000	5,105,834,000
Gramm-Rudman-Hollings Reduction	—	58,000	-58,000	—
Total, Appropriation	4,590,815,785	4,887,494,000	+218,340,000	5,105,834,000

a/ Includes 29 staff years in Fiscal Year 1989 and 30 staff years in Fiscal Years 1990 and 1991 for regional office administered programs.

b/ Includes 19 staff years for Summer Food Service Program monitors in Fiscal Year 1989 and 20 staff years in Fiscal Years 1990 and 1991. In Fiscal Years 1990 and 1991 an additional 15 staff years are included for reviews and training.

c/ Includes 58 staff years in Fiscal Year 1989, 70 staff years in Fiscal Year 1990, and 120 staff years in 1991.

EXPLANATION OF PROGRAM

Overview of Program Development. The Child Nutrition Programs, authorized by the National School Lunch Act (NSLA) and the Child Nutrition Act of 1966, subsidize meals served to children in schools and in a variety of other institutions.

The Child Nutrition Programs have their origins in commodity distribution programs operated in the 1930's. In 1946, NSLA established the National School Lunch Program (NSLP) "to safeguard the health and well-being of the Nation's children and to encourage the domestic consumption of nutritious agricultural commodities."

In 1966, Congress expanded the lunch program by providing for a pilot breakfast program, which was made a permanent program in 1975. Meal service was extended to pre-school age children in child care in 1968. In 1969, Congress made provision to assist feeding programs in serving meals to children for free or at a reduced price to children who met certain income eligibility guidelines. A Summer Food Service Program (SFSP) was initiated in 1968 to serve especially needy children while school was out of session.

Legislation. The Child Nutrition and WIC Reauthorization Act of 1989 (P.L. 101-147) reauthorized the SFSP, State Administrative Expenses (SAE), the Commodity Distribution Program and the Nutrition Education and Training Program through 1994. The law also contains several provisions to expand program coverage, increase participation among certain groups, improve accountability and program operations and reduce paperwork requirements. For example, funds are provided for expanding sponsorship of SFSP to private, nonprofit organizations under certain conditions, for startup grants for School Breakfast Programs (SBP) serving low-income children, and demonstration projects in the Child and Adult Care Food Program (CACFP) to expand services to homeless children and family day care homes in low-income areas. It mandates a unified system for compliance and accountability in the NSLP which would integrate Federal and State efforts and provides funding for increased Federal monitoring of SFSP operations. Other significant provisions include authorizing a Food Service Management Institute to improve school food service operations, increasing authorization levels for nutrition education and requiring a number of demonstration projects and studies to examine program issues.

Eligibility and Benefits. A general description of eligibility for and benefits of the programs follows.

1. Cash Payments to States. The programs are operated under an agreement entered into by the State agencies and the Department. Funds are made available by letters of credit to State agencies for use in reimbursing participating schools and other institutions. Sponsors submit applications to the State agencies and, if approved, are reimbursed on a per-meal basis in accordance with the terms of their agreements and the rates prescribed by law. The reimbursement rates are adjusted annually to reflect changes in the Consumer Price Index (CPI) for Food Away From Home as provided for in Section 11 of the NSLA.

(a) National School Lunch Program. Assistance is provided to the States for the service of lunches and snacks to children in participating schools and institutions, regardless of household income. Each year States must match 30 percent of Federal funds provided in School Year 1981 for these general reimbursements. States are also provided additional assistance for serving lunches and snacks free or at a reduced price to needy children. In Fiscal Year 1990, the NSLP will provide assistance for serving an estimated 4.1 billion lunches, including 2.1 billion for children from families with incomes above 185% of poverty, 0.3 billion for children from families with incomes between 130-185% of poverty and 1.7 billion for children from families with incomes below 130% of poverty.
Schools which, in the second previous school year, served at least 60 percent of their lunches at free or reduced prices receive an additional two cents per meal assistance. About one third of all lunches served in Fiscal Year 1989, or 1.3 billion, received an additional $0.02 subsidy. An estimated 25 million children are expected to participate in the NSLP daily

during the school year. Approximately 12 million needy children will participate on an average school day during the year.

(b) School Breakfast Program. Federal reimbursement is based on the number of breakfasts served to children from families with incomes above 185% of poverty, between 130-185% of poverty and below 130% of poverty. Schools that served at least 40 percent of their lunches at free or reduced prices in the second preceding year and had unusually high preparation costs which exceeded regular breakfast per meal reimbursement, receive higher subsidies in both the free and reduced price categories. In Fiscal Year 1990, the program will serve an estimated 671 million breakfasts to a daily average of 4 million children.

(c) Child and Adult Care Food Program. Nonprofit child care centers and family and group day care homes receive subsidies for meals served to preschool and other children. Profit-making child care centers receiving compensation under Title XX of the Social Security Act may participate in the program if 25 percent of the children served are Title XX participants. Certain adult day care centers are also eligible for participation in this program. These centers may also provide subsidized meals to non-impaired individuals, providing they are 60 years or older. They must be nonprofit unless they receive compensation under Title XIX or Title XX of the Social Security Act for at least 25 percent of their enrollees. CACFP reimburses State agencies at varying rates for breakfasts, lunches, suppers and meal supplements. In Fiscal Year 1990, approximately 960 million meals will be served to a daily average of 1.4 million children and adults.

(d) Summer Food Service Program. Meals served free to children in low-income neighborhoods during the summer months are supported on a per-meal basis by Federal cash subsidies to State agencies. Funds are also provided for related State and local administrative expenses. During the summer of 1990, approximately 91 million meals will be served to about 2 million children in the peak month.

(e) State Administrative Expenses. These funds may be used for State employee salaries, benefits, support services and office equipment. The SAE grant is equal to 1.5 percent of Federal cash program payments for the National School lunch, School Breakfast, Child and Adult Care Food and Special Milk Programs in the second previous fiscal year. In Fiscal Year 1990, approximately $60 million will be allocated among the States to fund on-going SAE and to improve the management of the various nutrition programs.

2. Commodity Procurement. Entitlement commodities and cash-in-lieu thereof required under section 6(e) of NSLA are provided from two sources: funds appropriated to the Child Nutrition Programs and funds available to the Agricultural Marketing Service (AMS) under section 32 of the Act of August 24, 1935. Commodities are purchased for distribution to the School Lunch Program (SLP), CACFP and SFSP. The minimum, or "entitlement" commodity support rate for all school lunch and child care center lunches and suppers served is mandated by section 6(e) of NSLA and is adjusted annually on July 1 to reflect changes in the Producer Price Index for Food Used in Schools and Institutions. For the period July 1, 1989 through June 30, 1990, the commodity support rate for the NSLP and CACFP is 13.25 cents per lunch.

The $558.7 million available in Fiscal Year 1990 for entitlement commodity support for Child Nutrition Programs (including commodities, cash-in-lieu of commodities and administrative costs) includes $350.9 million from section 32 funds and $207.8 million from direct appropriation.

Section 32. This authority provides for purchase of perishable non-price support commodities when it is necessary to stabilize market conditions. Within the constraints of market conditions, seasonality of crops, and other factors, these purchases are planned so that commodities are delivered to schools on a regular basis throughout the year. The typical commodities purchased include meat, poultry, fish, fruits and vegetables.

Section 6(e) of the National School Lunch Act. Although market considerations play a role, this section can be used to purchase price support and non-price support commodities based on recipient need and preference. Section 6(e) funds are used to provide schools with some of the perishable foods, such as meat, as well as non-perishable price support commodities (grains, oil, and peanut products) that they need. In addition, section 6(e) funds are used to provide cash-in-lieu of commodities when authorized by law. The areas currently receiving cash-in-lieu of commodities are Kansas, the sites which participated in the study of alternatives to commodity donation and which received commodity assistance in the form of cash-in-lieu of Commodity Letters of Credit, and child care centers which may elect to receive all of their commodity entitlement in cash. In Fiscal Year 1990, cash-in-lieu obligations are estimated to account for about $37 million of the Child Nutrition appropriation used for commodity purchases.

Bonus Commodities. In addition to entitlement commodities, when supplies permit, "bonus" commodities are provided to schools and institutions. Outlets can obtain as much of some bonus commodities as they can use without waste; other bonus commodities are offered on a limited basis. These commodities are purchased by AMS and the Commodity Credit Corporation (CCC) and then donated to the Food and Nutrition Service (FNS) for distribution. The two sources of bonus commodities are the Price Support Program and the Surplus Removal Program.

> Price Support Program. When the CCC acquires significant inventories of price support commodities, section 416 of the Agricultural Act of 1949 authorizes the CCC to donate commodities from its inventory to schools and other institutions. During Fiscal Year 1989, the Department donated cheese, butter, nonfat dry milk, honey, milled rice and flour (in States which participated in the bonus flour threshold program). Section 416 bonus donations to the Child Nutrition Programs were estimated at $260.7 million in Fiscal Year 1989.
>
> Surplus Removal Program. Under the provisions of section 32, funds are available for emergency surplus removal purchases. The Secretary of Agriculture determines when perishable commodities such as meats, poultry, fish, fruits and vegetables should be purchased and donated to schools and institutions under this surplus removal authority. In Fiscal Year 1989, about $68.5 million in bonus commodities were delivered to schools and other eligible child nutrition outlets under this authority.

3. Nutrition Studies and Education

> (a) Nutrition Studies and Surveys. Section 6(a)(3) of NSLA authorizes the use of Child Nutrition Program funds for nutrition studies and surveys. The purpose of these studies and surveys is to provide descriptive and evaluative information about the programs in order to make informed decisions and improve program operations.
>
> (b) Nutrition Education and Training (NET). This program, established in 1977 under P.L. 95-166, has provided funds for State agencies to begin or augment instruction of educators and students in the fundamentals of nutrition and training of school food service personnel in nutrition and food service management to help build good food habits.

State/Federal Responsibilities. The Child Nutrition Programs are operated through a State/Federal partnership under agreements signed by State educational, agricultural, social service or health agencies and FNS. Through this Federal/State partnership, FNS has agreements with 86 State agencies. There are nearly 20,000 School Food Authorities which oversee the activities of over 91,000 schools, over 40 percent of which offer both lunch and breakfast. Typical sponsors include School Food Authorities and local county or municipal governments. Currently there are 1,990 sponsors for the SFSP and approximately 9,700 sponsors of CACFP. There are currently about 136,000 child care centers and family day care homes participating in the CACFP.

FNS provides cash reimbursements for meals served by type and ensures that appropriate commodities are delivered on a timely basis. FNS also provides funds to help defray SAE. FNS also promulgates rules implementing the programs as defined by statute, including specifying nutritional requirements for the meals (i.e., meal patterns), meal counting and reporting procedures to ensure confidentiality of free and reduced price meal recipients while assuring accurate counts; requirements for cash and facilities management; and other administrative requirements.

FNS conducts Federal reviews in the NSLP as part of the unified Federal/State accountability system to evaluate the accuracy of local and State meal service data, and provides training and technical support to schools to help improve local program accountability.

The Child Nutrition and WIC Reauthorization Act of 1989 added a new section (q) to section 13 of NSLA which requires the Secretary to "establish a system under which the Secretary and States shall monitor the compliance of private nonprofit organizations". In recognition of the vulnerability of this class of summer program sponsors to program abuse, one-half of 1 percent of the funds appropriated are authorized to carry out this function. For 1990, the amount is $833,000. The current estimate for 1991 is $917,000.

FNS will monitor high risk sponsors by expanding the existing Federal Review System to the Summer Program. This strategy will enable each of the seven regional offices to concentrate nearly six staff years on these new sponsors during the periods of operation. Two full year staff will be added to Headquarters for the purpose of developing review guides and resource planning. For 1990 and 1991 approximately 15 staff years will be needed.

As with the Federal Review System of the NSLP, a nationally consistent review procedures will be developed and used in all regional office reviews. Forms, instructions and policies will be incorporated into a review handbook and training of all reviewers will precede actual implementation. All materials will be made available to State agencies administering the program to assure consistent procedures.

The goal will be to perform a review of every private nonprofit spursor/site in the program. Priority will be given to the largest sponsors and sites for review. Reviews will be coordinated with State agencies to the maximum extent practical. State plan and sponsor agreement information will be used to identify sponsors for review. Follow-up reviews and corrective action will be carefully coordinated with State agencies.

JUSTIFICATION OF INCREASES AND DECREASES

The Fiscal Year 1991 request for the Child Nutrition Programs reflects an increase of $218,398,000.

(1) An increase of $108,764,000 in the appropriation for SLP ($3,115,124,000 available in 1990). On the basis of available funds, there is an increase of $188,779,367 ($3,213,869,000 available in 1990).

Need for Change. The total number of school lunches is expected to increase by 38 million in Fiscal Year 1991 due to increased school enrollment. The projected rise in reimbursement rates on July 1 reflecting increases in the CPI for Food Away from Home will contribute to the need for increased funding.

Nature of Change. A funding level of $3,223,888,000 will be needed in Fiscal Year 1991 for SLP to provide full reimbursement for meals served. The following table compares meals served and rates:

Lunches Served in Millions	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate	Change
Above 185% of poverty......	2,114	2,154	2,173	+19
130-185% of poverty........	263	268	271	+3
Below 130% of poverty......	1,625	1,657	1,673	+16
Total	4,002	4,079	4,117	+38
Average participation (millions)	24.0	24.4	24.6	+0.2

Lunches Served in Millions	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate	Change
Average rates (cents)				
Above 185% of poverty....	14.12	14.88	15.63	+0.75
130-185% of poverty......	107.21	114.26	121.60	+7.34
Below 130% of poverty....	147.38	154.44	161.79	+7.35
Program Cost ($ mil) a/....	3,082.2	$3,213.9	$3,402.6	+$188.7

a/ Includes funds for schools which receive additional two cents reimbursement.

(2) An increase of $42,110,000 in the appropriation for the School Breakfast Program ($563,926,000 available in 1990). On the basis of available funds, there is an increase of $41,669,000 ($564,367,000 available in 1990).

Need for Change. An increase of 19 million meals is projected for Fiscal Year 1991 due in part to program expansion authorized by P.L. 101-147 including start up grants. In addition, the projected rise in reimbursement rates on July 1 reflecting increases in the CPI for Food Away from Home will contribute to the need for increased funding.

Nature of Change. An appropriation of $606,036,000 will be needed in Fiscal Year 1991 for the SBP.

The following table compares meals and rates in the SBP by category.

Breakfasts Served in Millions	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate	Change
Above 185% of poverty.....	87	89	91	+2
130-185% of poverty.......	33	33	34	+1
Below 130% of poverty.....	537	549	565	+16
Total	657	671	690	+19
Average participation (mil)	3.9	4.0	4.1	+0.1
Average rates - regular and severe need (cents)				
Above 185% of poverty ...	14.55	17.60	18.14	+0.54
130-185% of poverty	58.04	64.65	68.83	+4.18
Below 130% of poverty ...	88.08	94.69	98.88	+4.19
Program Cost ($ mil)	$513.0	$564.4	$606.0	+$41.6

(3) An increase of $3,742,000 in the appropriation for SAE ($60,647,000 available in 1990). On the basis of available funds, there is an increase of $4,503,235 ($59,885,990 available in 1990).

Need for Change. The increase is due to the increase in meal service in Fiscal Year 1989 which is the base year for grant formulation.

Nature of Change. An appropriation of $64,389,000 will be needed in Fiscal Year 1991 for SAE. Each State will receive a grant of at least one percent of the funds expended by the State during Fiscal Year 1988 with a minimum grant of $100,000. The funds available above the basic grant will be allocated to the States to improve program administration.

(4) An increase of $8,844,000 in the appropriation for the Summer Food Service Program ($170,872,000 available in 1990). On the basis of available funds, there is an increase of $16,372,000 ($163,344,000 available in 1990).

Need for Change. An increase of 4.4 million meals is projected for Fiscal Year 1991. The projected rise in the reimbursement rate on January 1 reflecting increases in the CPI for Food Away from Home will contribute to the need for increased funding.

Nature of Change. An appropriation of $179,716,000 will be needed in the SFSP in Fiscal Year 1991 to provide full reimbursement for meals served.

(5) An increase of $37,113,000 in the appropriation for the Child and Adult Food Program ($757,288,000 available in 1990). On the basis of available funds, there is an increase of $77,535,000 ($716,866,000 available in 1990).

Need for Change. An increase of 51 million meals is projected for Fiscal Year 1991 in child care centers, family day care homes and adult day care centers. In addition, the projected rise in reimbursement rates on July 1 reflecting increases in the CPI for Food Away from Home will contribute to the need for increased funding.

Nature of Change. A funding level of $794,401,000 will be needed in Fiscal Year 1991 in CACFP to provide full reimbursement for meals served.

(6) An increase of $15,829,000 in the appropriation for Commodity Procurement ($207,837,000 available in 1990). On the basis of available funds, there is an increase of $5,767,000 ($217,899,000 available in 1990).

Need for Change. An increase in meal service projections for school lunches and child and adult care programs will result in increased funding requirements for Fiscal Year 1991.

Nature of Change. In addition to the direct appropriation for entitlement commodity procurement for the Child Nutrition Programs, the Agricultural Marketing Service provides the Child Nutrition Programs with commodities purchased with funds from Funds for Strengthening Markets, Income, and Supply (section 32) to fulfill the full entitlement required by law.

The total projected usage of the funds from the two accounts in Fiscal Years 1990 and 1991 is as follows:

(Dollars in Millions)

Account	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate	Change
Child Nutrition Programs ..	$185.3	$217.9	$223.7	+$5.8
Funds for Strengthening Markets, Income and Supply (Section 32)	342.1	350.9	350.9	—
Total	$527.4	$568.8	$574.6	+$5.8

(7) A decrease of $57,000 in the appropriation for Nutrition Studies and Surveys ($3,142,000 available in 1990). On basis of available funds, there is an increase of $43,000 ($3,042,000 available in 1990).

Need for change. During Fiscal Year 1990 the Agency will release reports on income verification in the NSLP, Federal review, lunch program operations, SFSP private sponsor demonstration, and several studies of CACFP.

Nature of Change. An appropriation of $3,085,000 will be needed in Fiscal Year 1991 to fund current studies. Agency research priorities for Fiscal Year 1990 include a dietary assessment of child nutrition programs and studies of food service management companies and the Adult Day Care Program. In addition, the Child Nutrition and WIC Reauthorization Act of 1989 mandates a number of demonstrations, studies and reports including demonstrations to increase low-income participation in CACFP and to serve children in shelters; studies of alternative counting procedures in the NSLP; and reports on paperwork reduction.

(8) An increase of $2,053,000 in the appropriation for the Federal Review System ($3,600,000 available in 1990). On basis of available funds, there is an increase of $650,000 ($5,003,000 available in 1990).

(a) An increase of $53,000 which represents 50 percent of the 1991 pay raise. The remaining 50 percent of the 1991 pay raise and the total 1990 pay raise are being absorbed.

(b) An increase of $2,000,000 for Federal Review System.

Need for Change. The Federal Review System was started after a series of audits and reviews indicated problems in school meal counting and claiming free meal reimbursements for more meals than actually served to eligible children. A pilot program to assess the situation began in 1989. Reviews will be conducted using standards consistent with State-conducted review standards and results will be shared with the States. In addition, as required by P.L. 101-147, a unified accountability system will be established to integrate and coordinate Federal/State review activity. Additional funds are requested in the 1991 budget to continue these efforts and to develop methods to assist SFA's to improve the accuracy of their meal counting and claiming.

Nature of Change. An appropriation of $5,653,000 will be needed in Fiscal Year 1991 to fully fund the Federal Review Program.

CHILD NUTRITION PROGRAMS
Summary of Proposed Legislation

SUMMARY OF INCREASES AND DECREASES - PROPOSED LEGISLATION

	1991		
Item of Change	Current Law	Program Changes	President's Request
School lunch program	$3,223,888,000	$-73,128,000	$3,150,760,000
School breakfast program	606,036,000	—	606,036,000
State administrative	64,389,000	—	64,389,000
Summer food service program	179,716,000	—	179,716,000
Child and adult care food program	794,401,000	-281,152,000	513,249,000
Commodity procurement	223,666,000	-107,984,000	115,682,000
Nutrition studies and surveys	3,085,000	—	3,085,000
Nutrition education and training	5,000,000	—	5,000,000
Federal Review System	5,653,000	—	5,653,000
Total request	5,105,834,000	-462,264,000	4,643,570,000

Explanation of Proposed Legislation

This budget proposes the following in the Child Nutrition Programs that would result in net savings of $462,264,000 in Fiscal Year 1991. The proposed changes would:

-- Increase subsidies for meals served to children in households between 130 and 185 percent of poverty (between $15,730 and $22,385 for a family of four) by an additional $0.20 per meal. Thus, the maximum allowable price for a lunch served to such children will be reduced from $0.40 to $0.20. This will provide for an increase of $54.3 million in the NSLP.

-- Eliminate the cash and commodity entitlement subsidies for paid meals served to children from families with income above 350 percent of poverty (over $42,350 for a family of four). They would still benefit from bonus commodities. This will result in a savings of $127.4 million in the NSLP and $108.0 million in commodity procurement, for a total savings of $235.4 million. The savings will be used to offset the increased costs of enhancing subsidies for lower income children, thus better targeting program benefits to those children more in need of Federal support. There would be no change in subsidies for cash and commodities for meals served to students below 130 percent of poverty who receive free meals and between 185 and 350 percent of poverty. Schools would continue to receive current indexed subsidies for these meals.

-- Establish a meal subsidy structure in family day care homes that is comparable to that currently provided for child care centers. Under this proposal a two rate system would be established which will better target assistance to those in need. Meals served to children from families with incomes between 130 and 185 percent (between $15,730 and $22,385 for a family of four) would continue to be subsidized at a single rate comparable to the rate for such meals in child care centers. Meals served to children from families with incomes above 185 percent of poverty (over $22,385 for a family of four) would continue to receive subsidies, but they would be at rates comparable to paid meal rates in centers. This proposal would result in a savings of $281.2 million in CACFP.

CHILD NUTRITION PROGRAMS

STATUS OF PROGRAM

Child Nutrition Programs

The National School Lunch and Child Nutrition Acts as amended, authorize a number of food service programs for children in schools and other institutional settings. These programs include the National School Lunch, School Breakfast, Child Care Food and Summer Food Service Programs. In addition, a Child and Adult Care Food Program component provides food service for certain adults. The Acts also authorize funding to help States pay the administrative expenses associated with these programs, for a Nutrition Education and Training Program and for the costs of certain nutrition studies and surveys.

The Food and Nutrition Service (FNS) is responsible for the nationwide administration of the Child Nutrition Programs. Cooperating State agencies administer the programs in public schools and institutions. A number of State agencies administer the programs for nonprofit private schools and institutions as well. Some States are prohibited by law and some States choose not to administer the programs in private schools and institutions. In these States, FNS directly administers the programs through its regional offices. However, pursuant to the Omnibus Reconciliation Act of 1981, P.L. 97-35, no State which administered the Child Nutrition Programs since October, 1980 can request that FNS administer them.

National School Lunch Program

States are reimbursed on the basis of the number of meals served in the State at rates which vary according to the family size and income of the participating child in participating schools. Children from families which meet certain income guidelines can qualify for free or reduced price lunches. Income eligibility for free meals is set at or below 130 percent of the Federal income poverty guidelines and eligibility for reduced price meals is set at between 131 and 185 percent. For the period July 1, 1989 - June 30, 1990, a child from a family of four with an income of $15,730 or less will be eligible for free meals, and for reduced price meals if the family income is no more than $22,385.

On an average school day in Fiscal Year 1989, an estimated 24.1 million children participated in the National School Lunch Program, compared to an estimated 24.2 million children in Fiscal Year 1988. The total number of participating schools and residential child care institutions increased from about 90,600 in Fiscal Year 1988 to about 91,500 during Fiscal Year 1989.

Per-meal reimbursement rates for meals served are revised on July 1 of each year. For the period July 1, 1989 - June 30, 1990, the cash reimbursement rates are as follows: section 4 rate paid for all eligible meals is $.1475; section 11 free rate is $1.3850; section 11 reduced price rate is $.9850. The cash reimbursement per free or reduced price meal is the sum of section 4 and section 11 reimbursement rates. In addition, the commodity assistance rate is $.1325 for all eligible meals. School food authorities which served 60 percent or more free and reduced price lunches during the second preceding year receive increased assistance at the rate of $.02 per meal served. The following table compares the lunches served in the three income categories for Fiscal Years 1988 and 1989.

	FY 1988	FY 1989	Percent Change
Number of lunches served (millions):			
Upper income	2,120	2,114	-0.28
Lower income	262	263	+0.38
Low income	1,651	1,625	-1.57
Total Lunches	4,033	4,002	-0.77

School Breakfast Program

This program, initially authorized as a two-year pilot program under the Child Nutrition Act of 1966, was made permanent in October 1975. For each breakfast served, schools are reimbursed at established free, reduced price and paid meal rates. Schools which serve 40 percent or more of their lunches during the second preceding school year at the reduced price and/or free rates are eligible for "severe need" assistance calculated at established rates.

The income eligibility guidelines for the School Breakfast Program are the same as those for the National School Lunch Program. The School Breakfast Program is available to the same schools and institutions as the National School Lunch Program.

In Fiscal Year 1989, school breakfasts were available to approximately 19 million children daily in schools and institutions. Between October 1988 and October 1989, the number of schools and institutions participating in the breakfast program increased by about 3.1 percent. The average number of children eating breakfasts daily increased from an estimated 3.7 million in Fiscal Year 1988 to an estimated 3.9 million in Fiscal Year 1989. In Fiscal Year 1989, 657 million breakfasts were served as compared to 643 million in Fiscal Year 1988.

The rates in effect from July 1, 1989 - June 30, 1990, follow:
paid rate - $.1750, regular reduced price rate - $.5600, regular free rate - $.8600, severe need reduced price rate - $.7200, severe need free rate - $1.0200.

State Administrative Expenses

FNS makes funds available to the States for supervision and technical assistance in local school districts and child care institutions. Available funds for Fiscal Year 1989 were $56.8 million for State Administrative Expenses. An additional $5.1 million was made available from recoveries and carryover for a total funding level of $61.9 million.

Of this amount $47.5 million was allocated under the basic legislative formulas for program administration, an additional $9.3 million was made available to States to supplement the basic formulas, and $5.1 million was redistributed to States for justified administrative needs through the reallocation process. Of the amounts made available to the States for their program administration, $37.3 million was to improve accountability in the school food programs, $16.5 million was for the administration of the Child and Adult Care Food Program, and $3.0 million was for the administration of the Food Distribution Program.

Funds for State Administrative Expenses are available to the States for obligation for two years—the year of appropriation and the following year. Thus, States can carry over these funds from the first year into the second year. As of September 30, 1989, the amount of funds carried over from Fiscal Year 1988 into Fiscal Year 1989 was $19.9 million, an amount equal to 35 percent of the Fiscal Year 1989 appropriation for State Administrative Expenses.

Summer Food Service Program

The Summer Food Service Program, authorized under section 13 of the National School Lunch Act, provides funds for food service for children during summer vacation. Service institutions eligible to participate in this program are limited to those serving children from areas in which poor economic conditions exist. Furthermore, these institutions must be public or private non-profit schools, residential camps, or other government organizations. Meals are served free to all participants and are limited to lunch and either breakfast or a supplement, except in summer camps and migrant programs which may serve breakfast, lunch, supper and a supplement to each participant daily.

In addition to cash support, commodities are distributed to summer programs. Funds are also made available to conduct health inspections and to defray State and local administrative costs.

In the summer of 1989, FNS administered the program in six States. The balance of the program was operated by State agencies. During July, the peak month of program operations, approximately 1.7 million children participated in the program. Over the course of the summer, an estimated 86.4 million meals were served at an estimated cost of $147 million.

Demonstration Projects

Section 213 of the Hunger Prevention Act (Public Law 100-435) established demonstration projects to be conducted under the Summer Food Service Program (SFSP) in five States. Under these projects, private nonprofit organizations as defined by the law were authorized to participate as sponsors in SFSP. The purpose of the projects was to examine the effects of allowing private nonprofit organizations to operate SFSP. Private nonprofit organizations were eliminated from SFSP with enactment of the Omnibus Budget Reconciliation Act (OBRA) of 1981. Two primary concerns the law attempted to address in establishing the demonstration projects were (1) reduced SFSP coverage due to the elimination of private nonprofit sponsors as required by OBRA and (2) low SFSP coverage in rural areas throughout the country. The five States which participated in the demonstration projects were Massachusetts, North Carolina, Texas, Arkansas and Oregon.

The demonstration resulted in an increase of 8,700 children served daily in the five participating States (an increase of 6 percent over the previous year in those States). Thirty-one of the fifty-three nonprofit sponsors were located in rural areas. However, because urban sites tended to be larger, a greater proportion of the meals were served to children in urban settings.

Based on initial results from the demonstration, the Agency has submitted a preliminary report to Congress. The report concludes that many of the problems which initially resulted in private nonprofit sponsors being eliminated from the SFSP still exist with the demonstration sponsors. The Child Nutrition and WIC Reauthorization Act of 1989 (P.L. 101-147) extends the participation of private nonprofit organizations (other than those currently eligible under the law) in the Summer Food Service Program under a number of specific conditions.

Child and Adult Care Food Program

Authorized under section 17 of the National School Lunch Act, the Child and Adult Care Food Program (formerly known as the Child Care Food Program) provides funds for food service for children in non-residential child care centers and family day care homes. The centers must be nonprofit facilities, and be licensed or approved according to Federal, State or local standards. In addition, funds are made available to the States for audit expenses associated with the administration of the Child and Adult Care Food Program.

In Fiscal Year 1989, average daily attendance was approximately 1.31 million children in the Child and Adult Care Food Program, as compared to 1.26 million in Fiscal Year 1988. The number of meals served increased by 9.8 percent from 789 million meals in Fiscal Year 1988 to 866 million meals in Fiscal Year 1989.

Minnesota Demonstration Project. Prior to the enactment of Public Law 100-435 on September 19, 1988, the National School Lunch Act limited the number of meals which could be reimbursed under the Child and Adult Care Food Program to two meals and one snack per child per day. Public Law 100-435 increased the limit to three meals and one snack or two meals and two snacks for children in care in child care centers for eight hours or more. It also required the Secretary of Agriculture to conduct a demonstration project in one State in order to test the effects of providing reimbursement for one additional meal or supplement under the program for children who are maintained in a child care center or in a day care home setting for eight hours or more. The State of Minnesota was chosen for this project, which was originally to be carried out for 12 months and would end in November 1989. However, under the Child Nutrition and WIC Reauthorization Act of 1989 it was extended until September 30, 1990. A report will be issued to the Congress upon completion of the project.

Adult Day Care Component. Public Law 100-175, the Older Americans Act Amendments of 1987 enacted November 29, 1988, amended section 17 of the National School Lunch Act (42 U.S.C. 1766) to allow certain adult day care centers to be eligible for cash and commodity assistance under the Child and Adult Care Food Program (CACFP). Eligible centers are licensed or approved public or nonprofit private institutions, or certain proprietary title XIX or XX centers, which provide adult day care services to chronically impaired disabled adults or to persons 60 years of age or older for a less-than-24 hour period.

Adult day care centers are eligible for CACFP in essentially the same manner and under the same rules as child care centers. However, Public Law 100-460, the Agriculture Appropriations Act of 1989, enacted on October 1, 1988, made two provisions for adult day care centers different from those for child care centers. For the purpose of determining family size and income, income for adults in adult day care centers include only the income of the adult participant and, if any, the spouse and dependents with whom the participant resided. An adult participant is considered automatically eligible for free meals under CACFP if the participant is a member of a household receiving food stamp benefits or if the participant receives Medicaid or SSI benefits.

During Fiscal Year 1989, approximately 3.4 million meals were served at a cost of $3 million.

Commodity Procurement

The commodity subsidy for the National School Lunch, and Child and Adult Care Food Programs is authorized by section 6(e) of the National School Lunch Act and is based on a "rate per meal" concept; while section 13(h) authorizes commodity assistance for the Summer Food Service Program. For Fiscal Year 1989, schools, day care centers, and residential institutions were authorized an average of 12.38 cents worth of commodities per meal. USDA also provides commodities which are acquired through the price support and surplus removal programs. Therefore, schools and institutions receive both the commodities under the rate per meal subsidy, and the commodities which USDA acquires through agricultural programs and donates to schools.

In Fiscal Year 1989, foods valued at $854.0 million were provided for the National School Lunch, Child Care Food and Summer Food Service Programs. This amount includes $329.2 million of foods given to States from Commodity Credit Corporation (CCC) inventories and Section 32 surplus removal operations. An additional $31.9 million in cash-in-lieu of commodities was distributed for child care food programs, which may opt for commodities or cash, to the State of Kansas, and to sites which participated in the study of alternatives to commodity donation and received their commodity assistance in the form of cash-in-lieu of commodities or Commodity Letters of Credit. For the school programs, excluding Kansas and the school districts which participated in the study, 100 percent of the authorized commodity subsidy in school year 1989 was provided through food donations.

In Fiscal Year 1989, the value of the commodity entitlement was computed to be $522.1 million for the National School Lunch, Summer Food and Child and Adult Care Food Programs. As with the cash subsidy, this amount was the product of the estimated number of total meals times the commodity rate for the National School Lunch and Child and Adult Care Food Programs, with a fixed amount for the Summer Food Service Program.

For Fiscal Year 1989 commodity assistance to Child Nutrition Programs (including commodities, cash-in-lieu of commodities and administrative costs) totaling $524.8 million was funded by using $342.1 million from Section 32 funds and $182.7 million from Child Nutrition Programs appropriated funds. Section 6(e) funds are used to provide cash-in-lieu of commodities when authorized by law. The areas currently receiving cash-in-lieu of commodities are Kansas, the sites which participated in the study of alternatives to commodity donation and which received commodity assistance in the form of cash-in-lieu or Commodity Letters of Credit, and nonresidential child care institutions electing to receive their commodity entitlement in cash.

Commodity Donations. In addition to commodities purchased to fulfill the Child Nutrition Programs' entitlement, commodities that are acquired by USDA through its agricultural programs may be donated to schools and other institutions. There are two types of agricultural programs through which commodities are acquired: the price support program and the surplus removal program.

Price Support. During Fiscal Year 1989, the Department donated the following products under the Price Support Program: cheese, butter, nonfat dry milk, honey, corn meal and flour (in States which participated in the bonus flour threshold program). Section 416 bonus donations to the Child Nutrition Programs were estimated at $260.7 million in Fiscal Year 1989.

Surplus Removal Program. In Fiscal Year 1989, about $68.5 million in Section 32 bonus commodities were delivered to schools and other eligible child nutrition outlets under the Surplus Removal Program authority.

The following table shows the type and value of commodities purchased or donated and the amount of cash-in-lieu of commodities allocated in Fiscal Year 1989.

Value of Commodities in the Child Nutrition Programs

Fiscal Year 1989

	Value ($ in millions)
Financed with funds appropriated to FNS:	
Meats, poultry fruit and vegetables	58.8
Grains, oils, peanut products	89.3
Subtotal: entitlement commodities	148.1
Kansas and Trust Territory	6.0
Child and Adult Day Care Food Program	18.8
Study: Alternatives to Commodity Donations	7.1
Subtotal: cash in lieu of entitlement commodities	31.9
AMS & CCC reimbursement	.9
Processed Commodity Inventory Management Systems	.1
Update Commodity System Computer Software	1.7
Subtotal: cash for administrative expenses	2.7
TOTAL: all FNS funds	182.7
Financed with funds appropriated to CCC or AMS and "donated" to FNS:	
Meat, poultry, fish fruits and vegetables (AMS)	342.1
CCC commodities	None
Subtotal: entitlement commodities	342.1
Cheese, butter, nonfat dry milk honey, corn meal, flour (CCC)	260.7
Meats, fruits and vegetables (AMS)	68.5
Subtotal: bonus commodities	329.2
TOTAL: Entitlement commodities and cash in lieu	522.1
TOTAL: Bonus commodities	329.2
TOTAL: Administrative expenses	2.7
GRAND TOTAL	854.0

Nutrition Studies and Surveys

Section 6(a)(3) of the National School Lunch Act authorizes the use of Child Nutrition Program funds for nutrition studies and surveys. During Fiscal Year 1990 the Agency will release reports on income verification in the National School Lunch Program, Federal review, lunch program operations, the Summer Food Service Program private sponsor demonstration, and several studies of the Child Care Food Program. Currently, the Agency is continuing its study of Child Nutrition Program Operations, initiated in Fiscal Year 1987 to survey school districts. This multi-year study is designed to obtain timely analytic and programmatic data from a national sample of school districts and will assist Agency decision making. Agency research priorities for Fiscal Year 1990 include a dietary assessment of Child Nutrition Programs and studies of food service management companies and the Adult Day Care Program. In addition, the Child Nutrition and WIC Reauthorization Act of 1989 mandates a number of demonstrations, studies and reports including demonstrations to increase low income participation in the Child Care Food Program and to serve children in shelters; studies of alternative counting procedures in the National School Lunch Program; and reports on paperwork reduction.

Federal Review System

In response to serious concerns regarding the accuracy of claims in the National School Lunch Program, a system of Federal Reviews of local school food service operations has been established. These reviews, accomplished in close coordination with State monitoring and audit efforts, are intended to focus on sites with a high likelihood of exhibiting meal problems that might result in inaccurate meal counts and claims for reimbursement.

During Fiscal Year 1989, in 203 reviews of randomly selected local school food authorities, FNS identified a potential $3 million in errors that may have resulted in improperly paid School Lunch Program benefits. Authorizing legislation supports a continued Federal Review effort as a part of the FNS management evaluation effort, with emphasis on further coordination of the Federal effort with ongoing State efforts in order to ensure that the Federal Review process complements and does not duplicate State and local review efforts.

Nutrition Education and Training Program

The Nutrition Education and Training (NET) Program is authorized by section 19 of the Child Nutrition Act. The program provides funds for training school food service personnel in food service management, instructing teachers in nutrition education and teaching children about the relationship of nutrition to health in order to assist them in making wise food choices.

In Fiscal Year 1989, $5 million was allocated among the States for the NET Program. Final Fiscal Year 1988 State agency reports show that approximately 60 thousand school food service personnel, 75 thousand teachers, and 2.5 million children participated in NET funded projects.

National Commodity Processing Program (NCP)

Using broad CCC authorities and specific Congressional authorities of Public Law 98-8, the Temporary Emergency Food Assistance Act, Public Law 99-198, The Food Security Act of 1986, and Public Law 100-237, the Commodity Distribution Reform Act and WIC Amendments of 1987, the Department distributes surplus agricultural commodities from the Commodity Credit Corporation to various outlets using processing agreements with private companies. The NCP Program has been authorized through September 30, 1990. Under NCP, the Food and Nutrition Service enters directly into agreements with private food processors to convert specifically designated surplus commodities into a variety of finished end products. Processors holding agreements with FNS sell these products at reduced prices to recipient agencies eligible to receive surplus donated commodities. The price reductions reflect the value of donated ingredients contained in the end product.

The commodities originally available under NCP were cheese, nonfat dry milk (NFDM), butter, butter oil and honey. Flour was made available to the Program in the 1986-87 agreement year, cornmeal was added to the list of available commodities in 1987-88 and, also in 1987-88, due to reduced USDA inventories, a cap was placed on cheese and NFDM orders. In 1988-89, cheese, NFDM and honey were discontinued as NCP donated commodities.

The unavailability of NFDM, cheese and honey for NCP in the 1988-89 year resulted in the number of participating processors dropping from 77 to a level of 42 with 17.8 million pounds of commodities ordered for processing.

To ensure program integrity, there is a management information system centralized at the Kansas City Computer Center. This system is an integrated data base capable of storing and editing data and generating management reports for the NCP Program. In this system, data on the 30,000 registered recipient agencies, processors, end products, sales and inventory balances are maintained. This computerized management information system has been recognized by private industry and State governments as a model of good management.

In addition to claims determined through evaluation of data contained in the management information system, the Office of Inspector General (OIG) has conducted audits of several companies participating in the NCP Program. Based on the results of these audits, additional claims have been issued. As a result of all these monitoring activities, FNS has recovered approximately $4.0 million since the program began in Fiscal Year 1982.

SPECIAL MILK AND CHILD NUTRITION PROGRAMS

FINANCING FOR FISCAL YEAR 1989
(Dollars in Thousands)

State or Territory	Special Milk Program	School Lunch	School Breakfast	State Admin. Expenses	Commodities and Cash in Lieu of Commodities	Child And Adult Care	Summer Food Service	NET	Total Program Contribution
Alabama	$53	$73,541	$13,955	$1,369	$19,872	$13,064	$3,880	$75	$125,810
Alaska	34	7,312	822	312	1,478	3,217	11	50	13,237
Arizona	254	42,198	8,153	806	10,348	11,197	1,401	56	74,413
Arkansas	26	39,426	7,395	828	10,821	5,928	655	50	65,129
California	992	350,920	69,585	5,738	76,228	83,773	11,196	467	598,899
Colorado	362	31,864	3,756	971	10,098	22,067	1,028	55	70,201
Connecticut	594	23,685	2,887	627	8,657	8,886	1,527	52	44,916
Delaware	43	5,177	970	294	2,128	3,107	930	50	12,700
District of Columbia	15	9,345	1,687	328	1,280	1,912	497	50	15,114
Florida	158	141,960	26,100	2,350	39,326	23,571	12,024	177	245,666
Georgia	99	99,045	19,416	1,771	31,509	18,085	4,680	113	174,718
Hawaii	9	14,824	2,333	353	4,226	2,001	374	50	24,171
Idaho	130	13,055	684	319	4,086	1,924	62	50	20,311
Illinois	2,513	126,112	16,553	2,096	31,956	24,747	5,742	205	209,926
Indiana	425	64,812	2,191	874	21,149	7,452	1,588	99	98,590
Iowa	242	29,940	1,992	644	13,269	7,368	1,318	65	54,818
Kansas	433	29,940	1,439	619	9,053	17,959	431	50	59,925
Kentucky	355	58,720	14,750	1,036	18,603	6,819	1,358	65	101,706
Louisiana	80	100,224	17,187	1,776	21,980	18,067	4,538	89	163,940
Maine	178	11,390	947	379	4,028	5,518	347	50	22,837
Maryland	378	36,476	5,436	991	12,459	11,122	1,874	74	68,809
Massachusetts	637	43,160	8,212	1,323	16,055	26,627	2,661	92	98,766
Michigan	1,762	88,493	4,703	1,501	23,685	19,769	4,187	169	144,269
Minnesota	657	46,085	1,516	1,199	16,072	25,535	949	75	92,087
Mississippi	26	75,921	16,400	1,386	15,116	16,963	4,759	52	130,603
Missouri	621	48,788	6,541	1,042	17,931	13,964	1,857	86	89,830
Montana	56	7,904	703	375	3,084	3,277	255	50	15,703
Nebraska	203	14,495	976	482	6,709	8,081	780	63	31,269
Nevada	39	6,668	1,438	253	2,222	1,346	89	50	12,107
New Hampshire	206	5,800	552	311	3,170	1,489	200	50	11,777
New Jersey	1,085	65,133	5,478	1,122	18,673	12,229	4,121	124	107,966
New Mexico	28	29,611	4,195	778	5,973	9,534	3,455	50	53,625
New York	1,760	220,273	42,518	2,767	54,668	47,195	30,191	298	399,670
North Carolina	130	86,803	21,800	1,538	27,543	14,448	3,182	110	155,555
North Dakota	67	7,815	522	376	2,829	5,720	239	50	17,617
Ohio	1,173	114,241	15,068	1,719	31,112	14,539	2,361	191	180,404
Oklahoma	140	42,785	8,041	873	13,086	9,126	696	56	74,802
Oregon	241	26,040	2,815	557	9,051	7,765	940	50	47,459
Pennsylvania	766	100,060	8,672	1,736	34,221	22,385	8,779	188	176,806
Rhode Island	112	7,223	826	327	1,893	1,683	835	50	12,950
South Carolina	35	58,233	10,543	999	14,696	7,088	4,302	63	95,958
South Dakota	64	12,716	1,907	370	3,456	2,408	641	50	21,511
Tennessee	65	65,008	14,366	1,204	21,124	8,422	1,660	82	111,930
Texas	105	280,709	72,587	5,569	69,726	47,386	6,234	319	482,637
Utah	35	19,563	604	520	8,667	7,542	397	50	37,378
Vermont	188	4,101	208	282	1,742	2,239	50	50	8,859
Virginia	282	56,075	8,178	1,003	21,671	8,944	1,729	98	98,981
Washington	310	40,727	4,765	975	12,367	19,344	796	76	79,359
West Virginia	31	26,595	8,367	588	7,486	3,580	743	50	47,439
Wisconsin	1,689	43,905	2,056	812	15,948	6,909	631	86	72,036
Wyoming	17	4,755	280	279	1,894	2,460	65	38	9,788
American Samoa	0	2,454	1,209	173	466	0	0	50	4,351
Freely Associated States	0	3,332	0	53	239	0	0	15	3,639
Guam	0	2,169	684	210	510	7	0	0	3,580
N. Mariana Islands	0	1,530	609	163	182	0	0	50	2,535
Puerto Rico	0	95,147	17,425	1,409	11,361	0	3,447	70	128,859
Virgin Islands	3	3,524	127	238	612	412	474	50	5,440
Indian Tribes	0	0	0	0	0	0	0	0	0
DOD Army/AF/USMC/NAVY	0	0	0	0	2,512	0	0	0	2,512
Undistributed	0	16,441	0	811	3,700	1,253	4	0	22,210
TOTAL	$19,905	$1,082,247	$513,032	$59,802	$854,005	$677,431	$146,672	$5,000	$5,358,096

NOTE: Data is based on obligations as reported September 30, 1989. Commodities are based on preliminary food orders for fiscal year 1989. Totals may not add due to rounding.

CHILD NUTRITION PROGRAMS
Quantity and Value of Commodities

School or Fiscal Year 1989 Page 1 of 2

ENTITLEMENT COMMODITIES	Thousands of Pounds	Thousands of Dollars
SECTION 6/32 TYPE:		
APPLE JUICE, CANNED	35,481	$8,545
APPLE SLICES, CANNED	10,507	4,605
APPLES, FRESH	8,135	1,834
APPLESAUCE, CANNED	27,315	7,800
BEANS, DRY	5,120	2,067
BEANS, DRY CANNED	10,450	2,365
BEANS, REFRIED, CANNED	4,067	1,313
BEANS, VEGETARIAN	12,958	2,902
BEEF PATTIES, FRZ	7,265	8,564
BEEF PATTIES, FRZ W/VPP	11,907	11,387
BEEF, CANNED W/NJ-ORIGIN	288	396
BEEF, FROZEN GROUND	80,440	93,725
BEEF, FRZ BONELESS-PROCESS	546	584
BEEF, FRZ GRD COARSE-PROCESS	4,021	4,584
BLACKBERRIES, FROZEN	1,865	1,164
CHERRIES, FRZ RED TART PIT	4,723	1,897
CHICKEN NUGGETS, FRZ	2	3
CHICKENS, CHILLED BULK	8,460	4,934
CHICKENS, FROZEN, BREADED	5,630	6,282
CHICKENS, FROZEN, CUT-UP	57,152	36,794
FISH NUGGETS, FROZEN	13,927	15,879
HAM, FRZ COOKED BONELESS	8,463	11,671
MEAT, LUNCHEON CANNED	756	1,008
MIXED FRUIT	12,340	5,725
PEACHES, CLING CANNED	8,406	3,777
PEACHES, FREESTONE CND	6,572	2,949
PEACHES, FRZ FREESTONE SLICED	573	318
PEARS, BOSC FRESH	687	197
PEARS, CANNED	38,913	15,196
PEARS, D'ANJOU FRESH	4,909	1,158
PINEAPPLE CHUNKS	6	2
PINEAPPLE, CANNED	18,152	7,116
PLUMS, CANNED, PITTED	948	291
PLUMS, CANNED, PURPLE	2,656	665
PORK, FRZ BONELESS PICNIC	42	39
PORK, FRZ GRD COARSE-PROCESS	792	737
PORK, FRZ GROUND	35,869	33,561
POTATO ROUNDS, FROZEN	36,530	11,515
POTATOES, DEEP FRY	6,083	1,742
POTATOES, OVEN FRY	53,068	14,848
PRUNES, DRIED, PITTED	567	694
RAISINS	7,438	4,775
SWEET POTATOES, MASHED	834	180
SWEET POTATOES, SYRUP	6,874	1,917
TOMATO PASTE, CANNED	4,900	2,378
TOMATOES, CANNED	8,006	2,924
TOMATOES, CRUSHED	11,767	4,160
TUNA, CHUNK LIGHT-WATER	5,259	7,044
TURKEY ROASTS, FROZEN	16,170	22,904
TURKEY, FROZEN GROUND	1,825	1,323
TURKEY, FROZEN WHOLE	14,562	11,088
TURKEY, CHILLED, BULK	7,776	5,208
WAFER STEAKS, FIELD TEST	72	143
WALNUTS, ENGLISH PIECES	3,991	6,066
Total Section 6/32 Type	636,066	$400,940

continued on the next page

CHILD NUTRITION PROGRAMS
Quantity and Value of Commodities

School or Fiscal Year 1989 Page 2 of 2

ENTITLEMENT COMMODITIES	Thousands of Pounds	Thousands of Dollars
SECTION 416-TYPE:		
BULGUR	397	$851
BUTTER	1	2
CHEESE, CHEDDAR	33	37
CHEESE, MOZZARELLA FROZEN	15,201	18,243
CHEESE, MOZZARELLA UNFROZEN	1,048	1,291
CHEESE, PROCESS	2	2
FLOUR	169,677	23,823
GRITS, CORN	476	52
MACARONI	9,644	2,529
OATS, ROLLED	520	101
OIL, SOYBEAN	10,706	3,059
OIL, VEGETABLE	34,534	12,967
PEANUT BUTTER	11,869	8,580
PEANUT GRANULES	860	701
PEANUTS, ROASTED	4,061	3,163
RICE, BROWN	359	68
RICE, MILLED	21,769	3,808
SHORTENING, LIQUID VEG	3,921	1,492
SHORTENING, VEGETABLE	16,871	7,205
SPAGHETTI, ENRICHED	7,643	1,996
WHEAT, ROLLED	639	100
Total Section 416-Type	310,030	$89,270
Anticipated Adjustment		0
Total Commodity Entitlement	946,096	$490,210

BONUS COMMODITIES		
SECTION 32-TYPE:		
BEEF, FRZ GROUND BONUS	29,801	$34,797
CHERRIES, FRZ	14,399	5,323
CHICKEN NUGGETS, FRZ BONUS	1,879	2,527
DATE PIECES	2,475	1,875
EGG MIX	2,743	3,486
EGGS, WHOLE, FROZEN	12,584	5,941
FIGS, DRIED	955	969
PEARS, D'ANJOU FRESH	1,757	413
PORK, FRZ GROUND	10,157	10,113
PRUNES, DRIED, PITTED-BONUS	5,077	3,062
Total Section 32 Type	81,825	68,507
SECTION 416-TYPE:		
BUTTER	71,020	98,996
BUTTER OIL	584	943
BUTTER PATTIES, SOC	485	753
CHEESE PROCESS	76,255	93,990
CHEESE, CHEDDAR	33,643	39,628
CORNMEAL	8,006	951
FLOUR	72,492	9,507
HONEY	7,117	5,387
MILK, NFD	13,652	10,508
Total Section 416 Type	283,256	260,713
Total Bonus Commodities	365,081	329,220
TOTAL - ALL COMMODITIES	1,311,177	$819,430
CASH IN LIEU OF COMMODITIES		34,576
GRAND TOTAL	1,311,177	$854,005

Source: Preliminary food orders for fiscal year 1989

Note: Due to rounding, individual entries may not add to the totals shown

SCHOOL LUNCH PROGRAM
SCHOOLS, ENROLLMENT AND PARTICIPATION

FISCAL YEAR 1989

STATE OR TERRITORY	NUMBER OF SCHOOLS	ENROLLMENT (000)	PEAK PARTICIPATION (000)
Alabama	1,339	736	579
Alaska	329	83	38
Arizona	1,069	572	325
Arkansas	1,098	466	298
California	8,038	4,560	2,110
Colorado	1,451	522	291
Connecticut	998	420	237
Delaware	173	97	59
District of Columbia	192	88	51
Florida	2,426	1,696	1,089
Georgia	1,792	1,077	933
Hawaii	264	176	149
Idaho	519	210	131
Illinois	4,041	1,705	936
Indiana	2,284	1,109	628
Iowa	1,780	492	377
Kansas	1,626	428	303
Kentucky	1,510	668	506
Louisiana	1,942	906	715
Maine	746	206	111
Maryland	1,316	699	357
Massachusetts	2,037	903	474
Michigan	4,084	1,650	748
Minnesota	1,828	744	485
Mississippi	885	517	437
Missouri	2,407	850	558
Montana	603	140	85
Nebraska	1,165	264	192
Nevada	278	147	66
New Hampshire	562	168	93
New Jersey	2,187	940	514
New Mexico	729	300	181
New York	5,390	2,665	1,540
North Carolina	2,019	1,096	774
North Dakota	538	128	94
Ohio	4,054	1,827	905
Oklahoma	1,875	589	363
Oregon	1,251	418	240
Pennsylvania	3,735	1,736	1,007
Rhode Island	337	138	57
South Carolina	1,070	621	465
South Dakota	539	136	101
Tennessee	1,646	835	608
Texas	5,854	3,212	1,965
Utah	703	436	261
Vermont	368	89	46
Virginia	1,849	903	614
Washington	1,731	752	357
West Virginia	1,163	349	211
Wisconsin	2,261	789	467
Wyoming	354	92	54
American Samoa	34	12	11
Freely Associated States	0	0	0
Guam	44	31	18
N. Mariana Islands	30	7	6
Puerto Rico	2,713	745	488
Virgin Islands	70	28	20
Indian Tribes	0	0	0
DOD Army/AF/USMC/NAVY	167	100	40
TOTAL	91,493	41,273	24,768

NOTE: These data are based in part on preliminary data submitted by State and local agencies and are subject to change as revised reports are received.

SCHOOL LUNCH PROGRAM
THOUSANDS OF LUNCHES SERVED

FISCAL YEAR 1989

STATE OR TERRITORY	TOTAL LUNCHES SERVED			
	PAID	REDUCED PRICE	FREE	TOTAL
Alabama	43,897	6,347	41,007	91,251
Alaska	3,059	548	2,336	5,943
Arizona	24,735	3,862	22,980	51,577
Arkansas	24,814	3,349	21,735	49,897
California	130,792	24,367	205,422	360,580
Colorado	26,195	3,546	14,878	44,620
Connecticut	25,738	1,927	10,572	38,236
Delaware	6,233	469	2,685	9,387
District of Columbia	2,101	414	5,612	8,128
Florida	91,868	13,677	76,546	182,090
Georgia	89,088	10,448	50,915	150,452
Hawaii	15,698	1,714	5,475	22,887
Idaho	12,541	1,892	6,227	20,660
Illinois	69,649	7,607	71,350	148,605
Indiana	75,186	4,205	23,527	102,917
Iowa	45,333	3,628	13,207	62,168
Kansas	31,980	3,829	12,147	47,956
Kentucky	43,012	5,229	31,228	79,469
Louisiana	46,630	7,120	57,592	111,342
Maine	11,044	1,602	5,065	17,711
Maryland	34,939	4,105	18,652	57,696
Massachusetts	50,450	3,395	21,252	75,098
Michigan	66,727	5,496	44,372	116,595
Minnesota	53,512	5,236	17,491	76,239
Mississippi	22,060	5,427	42,239	69,726
Missouri	53,945	5,076	28,656	87,677
Montana	8,169	1,060	4,421	13,649
Nebraska	20,281	2,656	7,469	30,406
Nevada	7,119	627	3,430	11,176
New Hampshire	12,370	731	2,099	15,200
New Jersey	48,823	4,729	30,418	83,971
New Mexico	9,562	2,567	16,577	28,706
New York	106,358	18,244	122,728	247,331
North Carolina	71,686	10,251	42,856	124,792
North Dakota	10,088	1,064	3,566	14,718
Ohio	98,456	8,024	55,907	162,387
Oklahoma	29,355	5,306	22,321	56,981
Oregon	22,279	2,774	12,790	37,842
Pennsylvania	104,817	9,024	50,183	164,024
Rhode Island	5,222	640	3,873	9,735
South Carolina	37,170	5,762	30,387	73,319
South Dakota	9,724	1,406	5,587	16,717
Tennessee	56,713	5,727	34,773	97,213
Texas	137,058	19,154	159,702	315,914
Utah	27,046	4,235	9,374	40,655
Vermont	5,269	527	1,861	7,657
Virginia	67,338	5,934	27,419	100,691
Washington	33,467	4,189	20,852	58,508
West Virginia	16,191	2,448	15,253	33,892
Wisconsin	49,798	4,453	20,937	75,188
Wyoming	5,743	680	2,163	8,587
American Samoa	126	0	1,679	1,806
Freely Associated States	0	0	0	0
Guam	1,500	212	1,034	2,745
N. Mariana Islands	26	0	1,044	1,070
Puerto Rico	4,943	5,002	58,979	68,924
Virgin Islands	659	431	2,025	3,114
Indian Tribes	0	0	0	0
DOD Army/AF/USMC/NAVY	5,651	664	477	6,791
Anticipated Adjustment	0	0	0	0
TOTAL	2,114,233	263,036	1,625,347	4,002,616

NOTE: These data are based in part on preliminary data submitted by State and local agencies and are subject to change as revised reports are received. Totals may not add due to rounding.

SCHOOL BREAKFAST PROGRAM
SCHOOLS, ENROLLMENT, AND PARTICIPATION

FISCAL YEAR 1989

STATE OR TERRITORY	NUMBER OF SCHOOLS AND INSTITUTIONS	ENROLLMENT (000)	PEAK PARTICIPATION (000)
Alabama	829	385	105
Alaska	111	19	4
Arizona	600	303	61
Arkansas	623	286	63
California	3,011	1,932	464
Colorado	458	146	23
Connecticut	211	67	19
Delaware	123	68	7
District of Columbia	188	87	13
Florida	1,577	1,053	191
Georgia	888	466	157
Hawaii	225	141	20
Idaho	232	104	7
Illinois	1,027	554	103
Indiana	595	289	44
Iowa	486	159	19
Kansas	188	47	10
Kentucky	941	380	115
Louisiana	907	443	149
Maine	198	52	9
Maryland	918	449	42
Massachusetts	952	437	68
Michigan	497	166	34
Minnesota	246	115	17
Mississippi	605	353	131
Missouri	740	241	56
Montana	138	29	6
Nebraska	155	41	8
Nevada	149	88	12
New Hampshire	110	36	4
New Jersey	572	250	42
New Mexico	359	163	35
New York	3,009	1,426	262
North Carolina	1,730	1,078	160
North Dakota	60	32	5
Ohio	1,372	486	88
Oklahoma	941	229	67
Oregon	362	135	14
Pennsylvania	778	625	56
Rhode Island	87	31	5
South Carolina	516	258	78
South Dakota	165	31	10
Tennessee	1,315	603	138
Texas	5,527	3,014	574
Utah	81	181	5
Vermont	59	20	3
Virginia	857	332	78
Washington	503	233	30
West Virginia	1,131	334	71
Wisconsin	313	200	22
Wyoming	32	7	2
American Samoa	37	14	11
Freely Associated States	0	0	0
Guam	36	27	6
N. Mariana Islands	30	7	4
Puerto Rico	2,232	473	153
Virgin Islands	18	5	1
Indian Tribes	0	0	0
DOD Army/AF/USMC/NAVY	0	0	0
Anticipated Adjustment	0	0	0
TOTAL	40,050	19,125	3,879

NOTE: These data are based in part on preliminary data submitted by State and local agencies and are subject to change as revised reports are received. Totals may not add due to rounding.

SCHOOL BREAKFAST PROGRAM
THOUSANDS OF BREAKFASTS SERVED

FISCAL YEAR 1989

STATE OR TERRITORY	TOTAL BREAKFASTS SERVED					
		REDUCED PRICE		FREE		
	PAID	REGULAR	SEVERE NEED	REGULAR	SEVERE NEED	TOTAL
Alabama	1,766	653	171	10,367	4,110	17,067
Alaska	130	24	20	319	228	721
Arizona	1,061	285	261	3,488	4,972	10,067
Arkansas	1,872	484	75	6,733	1,619	10,783
California	8,316	582	2,695	8,816	60,991	81,400
Colorado	570	66	77	921	2,065	3,699
Connecticut	921	21	165	1,132	1,837	4,076
Delaware	229	16	32	308	723	1,308
District of Columbia	142	80	0	2,001	0	2,223
Florida	4,011	365	1,209	4,280	22,362	32,227
Georgia	5,142	773	1,185	6,190	12,458	25,748
Hawaii	943	299	0	2,016	23	3,281
Idaho	279	46	1	716	76	1,118
Illinois	1,447	431	0	15,943	0	17,821
Indiana	1,029	117	98	2,838	1,909	5,991
Iowa	887	142	2	2,229	17	3,277
Kansas	262	36	51	478	878	1,705
Kentucky	3,501	159	957	1,393	12,623	18,633
Louisiana	2,260	869	41	19,816	928	23,914
Maine	373	72	40	580	436	1,501
Maryland	1,048	194	522	927	4,422	7,113
Massachusetts	1,530	263	66	7,186	2,420	11,465
Michigan	635	38	79	452	5,001	6,205
Minnesota	500	61	63	1,032	1,373	3,029
Mississippi	2,046	1,200	39	18,133	403	21,821
Missouri	1,354	169	190	1,864	5,769	9,346
Montana	121	30	35	325	516	1,027
Nebraska	168	23	50	286	833	1,360
Nevada	779	23	21	574	906	2,303
New Hampshire	448	25	15	153	312	953
New Jersey	777	205	81	3,589	2,534	7,186
New Mexico	459	271	11	4,391	371	5,503
New York	4,514	286	2,232	2,071	37,510	46,613
North Carolina	4,435	1,132	926	11,099	9,503	27,095
North Dakota	301	19	17	254	258	849
Ohio	1,651	36	540	531	18,262	21,020
Oklahoma	1,882	402	536	3,185	4,976	10,981
Oregon	429	35	92	451	2,374	3,381
Pennsylvania	1,033	105	156	2,199	6,804	10,297
Rhode Island	34	12	0	969	32	1,047
South Carolina	1,745	115	831	788	9,242	12,721
South Dakota	191	23	57	379	1,280	1,930
Tennessee	4,502	847	595	7,850	8,887	22,681
Texas	11,107	1,767	1,981	26,971	49,112	90,938
Utah	74	4	31	33	649	791
Vermont	228	11	13	54	171	477
Virginia	2,863	790	11	9,135	388	13,187
Washington	712	87	95	1,611	2,641	5,146
West Virginia	3,609	435	396	4,577	4,471	13,488
Wisconsin	330	77	17	696	2,199	3,319
Wyoming	27	6	17	79	196	325
American Samoa	116	0	0	1,536	0	1,652
Freely Associated States	0	0	0	0	0	0
Guam	310	4	72	22	580	988
N. Mariana Islands	14	0	0	0	589	603
Puerto Rico	1,589	1,680	0	20,028	0	23,297
Virgin Islands	36	0	23	0	109	168
Indian Tribes	0	0	0	0	0	0
DOD Army/AF/USMC/NAVY	0	0	0	0	0	0
Anticipated Adjustment	0	0	0	0	0	0
TOTAL	86,738	15,895	16,890	223,994	313,348	656,865

NOTE: These data are based in part on preliminary data submitted by State and local agencies and are subject to change as revised reports are received.

SUMMER FOOD SERVICE PROGRAM
NUMBER OF SITES, PARTICIPATION AND MEALS SERVED

FISCAL YEAR 1989

STATE OR TERRITORY	NUMBER OF SITES	PARTICIPATION (JULY) (000)	TOTAL MEALS SERVED (000)
Alabama	550	47	2,153
Alaska	2	0	3
Arizona	112	11	835
Arkansas	39	10	374
California	1,234	139	5,826
Colorado	112	12	553
Connecticut	246	17	822
Delaware	325	11	482
District of Columbia	31	6	224
Florida	1,033	129	6,471
Georgia	730	64	2,598
Hawaii	37	8	276
Idaho	9	1	35
Illinois	881	72	4,185
Indiana	232	17	965
Iowa	122	10	584
Kansas	47	4	249
Kentucky	226	18	761
Louisiana	297	64	2,279
Maine	22	2	196
Maryland	437	24	1,240
Massachusetts	327	21	1,359
Michigan	823	45	2,281
Minnesota	183	13	682
Mississippi	382	48	2,752
Missouri	274	16	1,069
Montana	26	2	271
Nebraska	31	3	154
Nevada	11	0	36
New Hampshire	17	1	117
New Jersey	788	49	2,462
New Mexico	380	33	1,828
New York	1,957	347	18,544
North Carolina	541	47	1,960
North Dakota	11	2	145
Ohio	454	29	1,636
Oklahoma	72	6	435
Oregon	112	8	741
Pennsylvania	1,358	76	5,111
Rhode Island	143	7	517
South Carolina	945	77	3,319
South Dakota	97	10	301
Tennessee	302	20	1,124
Texas	601	57	3,759
Utah	57	4	201
Vermont	9	0	33
Virginia	273	22	847
Washington	121	9	637
West Virginia	171	7	320
Wisconsin	152	12	558
Wyoming	11	1	44
American Samoa	0	0	0
Freely Associated States	0	0	0
Guam	0	0	0
N. Mariana Islands	0	0	0
Puerto Rico	469	31	1,839
Virgin Islands	123	6	252
Indian Tribes	0	0	0
DOD Army/AF/USMC/NAVY	0	0	0
Anticipated adjustment	0	0	0
TOTAL	17,945	1,675	86,445

NOTE: These data are based in part on preliminary data submitted by State and local agencies and are subject to change as revised reports are received.

CHILD AND ADULT CARE FOOD PROGRAM
PARTICIPATION AND MEALS SERVED

FISCAL YEAR 1989

STATE OR TERRITORY	NUMBER OF CENTERS HOMES	PARTICIPATION PEAK MONTH (000)	TOTAL MEALS SERVED					
			CHILD CARE AND ADULT CARE CENTERS				FAMILY DAY CARE HOMES (000)	TOTAL (000)
			PAID (000)	REDUCED PRICE (000)	FREE (000)	TOTAL (000)		
Alabama	2,061	20	1,249	607	6,706	8,363	7,053	15,416
Alaska	610	6	1,095	149	361	1,605	1,470	3,075
Arizona	2,160	27	3,468	1,053	4,998	9,520	5,238	14,758
Arkansas	649	11	1,377	372	3,425	5,174	2,807	7,981
California	15,839	161	10,143	6,003	23,113	39,259	55,110	94,369
Colorado	4,955	33	2,731	461	2,398	5,590	14,693	20,283
Connecticut	2,160	18	1,533	648	1,568	3,748	5,248	8,996
Delaware	684	6	716	189	1,170	2,075	2,028	4,102
District of Columbia	171	5	778	528	1,367	2,674	271	2,945
Florida	2,053	49	4,550	1,423	20,793	26,766	3,322	30,088
Georgia	2,795	33	1,303	631	7,783	9,717	10,482	20,199
Hawaii	412	8	2,424	269	724	3,417	728	4,146
Idaho	363	4	328	47	364	738	1,679	2,417
Illinois	5,241	44	5,949	1,746	11,306	19,002	15,266	34,268
Indiana	1,402	41	3,680	650	4,316	8,646	5,625	14,272
Iowa	1,858	33	3,019	324	1,838	5,181	5,377	10,558
Kansas	4,214	36	3,102	394	1,682	5,177	14,567	19,744
Kentucky	804	19	4,282	682	4,777	9,741	1,439	11,180
Louisiana	4,608	29	988	419	8,547	9,954	9,629	19,584
Maine	1,103	10	635	173	887	1,694	4,346	6,040
Maryland	3,590	23	2,650	440	2,484	5,574	9,631	15,205
Massachusetts	6,092	39	3,317	1,675	7,266	12,258	14,989	27,247
Michigan	5,975	54	5,104	1,352	7,789	14,246	17,918	32,164
Minnesota	9,210	61	2,984	386	2,012	5,382	36,775	42,157
Mississippi	3,070	35	920	454	10,031	11,405	8,299	19,704
Missouri	1,951	25	2,890	675	4,839	8,404	9,028	17,432
Montana	666	8	618	129	801	1,548	2,746	4,295
Nebraska	2,245	21	2,407	193	1,534	4,134	7,921	12,055
Nevada	279	5	548	165	393	1,106	873	1,979
New Hampshire	306	4	1,036	220	406	1,662	938	2,601
New Jersey	1,550	26	4,353	2,343	9,271	15,966	2,333	18,299
New Mexico	2,755	20	1,902	442	2,826	5,170	6,405	11,575
New York	5,003	102	6,869	3,966	31,473	42,308	8,105	50,413
North Carolina	1,775	41	7,699	1,485	10,508	19,692	2,725	22,417
North Dakota	1,556	13	726	77	409	1,212	5,712	6,923
Ohio	4,176	50	8,075	1,241	7,729	17,050	12,322	29,372
Oklahoma	1,302	21	3,526	607	5,776	9,909	2,654	12,564
Oregon	2,210	16	1,718	258	1,313	3,289	6,423	9,712
Pennsylvania	3,769	51	5,979	3,269	10,217	19,465	9,446	28,911
Rhode Island	314	5	567	208	967	1,742	697	2,439
South Carolina	635	15	1,029	619	4,979	6,627	1,961	8,588
South Dakota	487	5	793	129	684	1,605	1,622	3,227
Tennessee	1,042	20	1,833	644	5,531	8,008	3,409	11,417
Texas	8,697	79	4,399	1,634	16,945	22,978	32,250	55,228
Utah	1,381	13	3,258	470	2,716	6,445	5,633	12,078
Vermont	583	5	395	74	343	811	2,075	2,887
Virginia	2,585	23	3,198	663	2,697	6,558	7,283	13,841
Washington	4,961	35	3,531	547	3,114	7,190	16,424	23,614
West Virginia	962	7	1,685	139	1,483	3,307	1,856	5,163
Wisconsin	2,366	28	4,596	429	2,966	7,991	5,894	13,885
Wyoming	639	6	873	112	468	1,453	2,078	3,531
American Samoa	0	0	0	0	0	0	0	0
Freely Associated States	0	0	0	0	0	0	0	0
Guam	0	0	66	1	1	68	0	68
N. Mariana Islands	0	0	0	0	0	0	0	0
Puerto Rico	0	0	0	0	0	0	0	0
Virgin Islands	36	1	86	18	407	511	0	511
Indian Tribes	0	0	0	0	0	0	0	0
DOD Army/AF/USMC/NAVY	0	0	0	0	0	0	0	0
TOTAL	136,310	1,449	142,992	41,623	268,504	453,117	412,803	865,920

NOTE: These data are based in part on preliminary data submitted by State and local agencies and are subject to change as revised reports are received. Totals may not add due to rounding.

FOOD AND NUTRITION SERVICE

The estimates include proposed changes in the language of this item as follows (new language underscored; deleted matter enclosed in brackets):

Special Milk Program

For necessary expenses to carry out the special milk program, as
authorized by section 3 of the Child Nutrition Act of 1966 (42 U.S.C.
1772), [$20,449,000] $19,268,000, to remain available through September
1 30, [1991] 1992. Only final reimbursement claims for milk submitted to
State agencies within sixty days following the month for which the
reimbursement is claimed shall be eligible for reimbursement from funds
appropriated under this Act. States may receive program funds
appropriated under this Act only if the final program operations report
for such month is submitted to the Department within ninety days
following that month. Exceptions to these claims or reports submission
requirements may be made at the discretion of the Secretary.

This change makes the appropriation available until September 30, 1992.

SPECIAL MILK PROGRAM

Appropriations Act, 1990		$20,449,000
Budget Estimate, 1991		19,268,000
Decrease in Appropriation		-1,181,000
Adjustments in 1990		
Appropriation Act, 1990	$20,449,000	
Gramm-Rudman-Hollings Reduction (P.L. 99-177)	-140,000	
Adjusted base for 1990		20,309,000
Budget estimate, Current Law, 1991		19,268,000
Decrease below adjusted 1990		-1,041,000

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

Item of Change	1990 Estimated	Program Changes	1991 Estimated
Cash payments to States	$20,309,000	-$1,041,000	$19,268,000

PROJECT STATEMENT - CURRENT LAW
(On basis of adjusted appropriation)

Project	1989 Actual	1990 Estimated	Increase or Decrease	1991 Estimated
1. Cash payments to States:				
(a) Paid milk	$18,329,000	$18,682,000	-$967,000	$17,715,000
(b) Free milk	1,596,000	1,627,000	-74,000	1,553,000
Total, Available or Estimate	19,925,000	20,309,000	-1,041,000(1)	19,268,000
Gramm-Rudman-Hollings Reduction	—	140,000	-140,000	—
Total, Appropriation	19,925,000	20,449,000	-1,181,000	19,268,000

PROJECT STATEMENT
(On basis of adjusted available funds)

Project	1989 Actual	1990 Estimated	Increase or Decrease	1991 Estimated
1. Cash payments to States:				
(a) Paid milk	$18,311,029	$19,265,000	+$1,161,253	$20,426,253
(b) Free milk	1,594,420	1,678,000	+112,964	1,790,964
Total, Obligations	19,905,449	20,943,000	+1,274,217	22,217,217
Unobligated balances:				
Available, start of year	-3,563,666	-3,583,217	+634,000	-2,949,217
Available, end of year	+3,583,217	+2,949,217	-2,949,217	—
Total, Available or Estimate	19,925,000	20,309,000	-1,041,000(1)	19,268,000
Gramm-Rudman-Hollings Reduction	—	140,000	-140,000	—
Total, Appropriation	19,925,000	20,449,000	-1,181,000	19,268,000

EXPLANATION OF PROGRAM

Overview of Program Development. Originally designed to support milk prices while encouraging children to drink more milk, the Special Milk Program (SMP) was first funded by the Commodity Credit Corporation in 1955. The Agricultural Act of 1961 authorized the first direct appropriation for the program. SMP is now authorized by Section 3 of the Child Nutrition Act of 1966, as amended.

Eligibility. Eligible institutions include public and private nonprofit schools of high school grade or under, summer camps, and similar institutions that do not participate in another meal service program authorized by the Child Nutrition Act or the National School Lunch Act. In addition, children in split session kindergarten programs in non-profit schools who do not have access to the meal service programs operating in those schools may participate in the School Milk Program.

Benefits. The program provides subsidies to institutions for half-pints of milk served to children. In Fiscal Year 1990, approximately 199 million half-pints of milk will be served in SMP. These include about 188 million half-pints served to children whose family income is above 130 percent of poverty and about 11 million half pints served free to children whose family income is at or below 130 percent of poverty. During Fiscal Year 1990, the average full cost reimbursement for milk served to needy children is expected to be 15.2 cents for each half-pint. Milk served to non-needy children is expected to be reimbursed at 10.25 cents for each half pint. The cash reimbursement rate for non-needy children is adjusted annually on July 1.

State/Federal Responsibilities. The program is operated through a partnership under agreements signed by State educational, social service or health agencies and the Food and Nutrition Service (FNS). State agencies administer the program through local school food authorities or other institutions. FNS provides cash reimbursements for milk served to eligible children and also provides funds for state administrative expenses relating to the program.

JUSTIFICATION OF INCREASES AND DECREASES

A decrease of $1,0[illegible],000 is requested in the appropriation for SMP ($20,309,000 available in 1990). On the basis of available funds, there is an increase of $1,274,551 ($20,943,000 available in 1990).

Need for change. The decrease in funds reflects the anticipated availability of an unobligated balance of funds from Fiscal Year 1990, as well as current estimates of funds needed to maintain the program in Fiscal Year 1991 due to adjustments for inflation and program participation.

	1989 Actual	1990 Estimate	1991 Estimate
Half-pints served (millions)			
Reduced price (above 130% of poverty)	179.078	187.953	199.287
Free (below 130% of poverty)	10.515	11.036	11.701
Total	189.593	198.989	210.988

SPECIAL MILK PROGRAM

STATUS OF PROGRAM

The Special Milk Program, as authorized by section 3 of the Child Nutrition Act of 1966, helps schools and institutions not otherwise participating in a federally subsidized meal service program provide milk to children at a low price or free of charge in order to encourage children to drink more milk.

Program Operations. The program is administered in most States by the State educational agency. Where the States are prohibited by their laws from disbursing funds to private schools and institutions, or in instances where State agencies are unwilling to operate the program, the Food and Nutrition Service (FNS) administers the program directly through its regional offices. However, pursuant to P.L. 97-35, no State which administered the Special Milk Program for private schools and institutions since October 1980 may turn over administration of the program to FNS. During Fiscal Year 1989, FNS directly administered the Special Milk Program in seven States.

Program funds are made available to State agencies for use in providing payments to eligible outlets for milk served to children under the program. Participating schools and institutions that charge for any milk served under the program must agree to use the payments to reduce the cost of milk to the children. When local officials elect to serve free milk, the half pint reimbursement rate for such milk is based on the average cost of all milk served in the eligible outlet under the program including local level distribution costs. All other milk served under the program is reimbursed at the per half pint rate established annually by the Secretary. States also receive funds to offset the costs of administering the Special Milk Program from the Child Nutrition Programs appropriation.

For the period July 1, 1989 to June 30, 1990, the reimbursement rate for milk served to children from families with income above 130 percent of poverty is 10.25 cents per half pint. During Fiscal Year 1989, the average reimbursement to cover the cost of milk in eligible outlets serving free milk to needy children at or below 130 percent of poverty, including local level distribution costs, was about 13.15 cents per half pint.

During Fiscal Year 1989, the total number of half pints served was 189.8 million including 179.2 million paid half pints and 10.6 free half pints.

SPECIAL MILK PROGRAM
NUMBER OF PARTICIPATING OUTLETS AND OBLIGATIONS BY STATE

FISCAL YEAR 1989

STATE OR TERRITORY	O U T L E T S				OBLIGATIONS 1/
	SCHOOLS	NON-RESIDENTIAL CHILD CARE INSTITUTIONS	SUMMER CAMPS	TOTAL	
Alabama	11	3	18	32	853,000
Alaska	11	0	1	12	34,232
Arizona	58	3	31	92	254,056
Arkansas	9	0	22	31	25,811
California	360	11	223	594	991,782
Colorado	127	0	23	150	362,350
Connecticut	347	7	33	387	593,773
Delaware	10	0	0	10	43,103
District of Columbia	8	0	0	8	15,457
Florida	45	0	38	83	158,200
Georgia	8	0	12	20	99,200
Hawaii	3	0	3	6	9,214
Idaho	229	0	40	269	130,000
Illinois	994	9	61	1,064	2,512,617
Indiana	294	0	46	340	425,142
Iowa	225	23	71	319	242,000
Kansas	292	0	10	302	433,000
Kentucky	206	4	15	225	354,800
Louisiana	15	0	10	25	80,155
Maine	14	0	41	55	177,702
Maryland	123	0	29	152	377,512
Massachusetts	259	46	85	390	636,641
Michigan	822	0	175	997	1,762,011
Minnesota	448	70	145	663	656,957
Mississippi	2	0	12	14	25,500
Missouri	125	0	39	164	620,650
Montana	59	0	0	59	55,900
Nebraska	375	0	0	375	203,000
Nevada	18	9	2	29	39,330
New Hampshire	46	7	87	140	205,718
New Jersey	311	0	42	353	1,085,316
New Mexico	15	0	5	20	28,403
New York	820	0	197	1,017	1,760,468
North Carolina	63	0	35	98	130,000
North Dakota	28	0	0	28	66,800
Ohio	649	5	0	654	1,172,547
Oklahoma	169	0	1	170	140,358
Oregon	209	0	24	233	240,667
Pennsylvania	488	15	109	612	786,136
Rhode Island	126	1	11	138	111,911
South Carolina	8	0	7	15	34,600
South Dakota	39	0	0	39	64,400
Tennessee	7	0	14	21	64,700
Texas	28	3	36	67	105,273
Utah	44	0	0	44	35,300
Vermont	79	0	7	86	187,697
Virginia	169	0	25	194	282,283
Washington	121	0	52	173	309,758
West Virginia	19	0	16	35	31,234
Wisconsin	333	102	142	577	1,689,145
Wyoming	8	1	7	16	17,000
American Samoa	0	0	0	0	0
Freely Associated States	0	0	0	0	0
Guam	0	0	0	0	0
N. Mariana Islands	0	0	0	0	0
Puerto Rico	0	0	0	0	0
Virgin Islands	2	0	0	2	3,099
Indian Tribes	0	0	0	0	0
DOD Army/AF/USMC/Navy	0	0	0	0	0
Anticipated Adjustment	0	0	0	0	0
TOTAL	9,278	319	2,002	11,599	$19,901,447

1/ Obligations as reported September 30, 1989.

NOTE: These data are based in part on preliminary data submitted by State and local agencies and are subject to change as revised reports are received.

SPECIAL MILK PROGRAM
HALF-PINTS OF MILK SERVED

FISCAL YEAR 1989

STATE OR TERRITORY	AVERAGE SERVED DAILY			TOTAL SERVED FY 89		
	FREE (000)	PAID (000)	TOTAL (000)	FREE (000)	PAID (000)	TOTAL (000)
Alabama	0	1	1	2	331	333
Alaska	0	2	2	8	263	271
Arizona	0	8	8	68	2,039	2,107
Arkansas	0	1	1	45	256	301
California	2	32	34	292	9,551	9,843
Colorado	0	5	5	61	1,158	1,219
Connecticut	2	29	31	350	5,585	5,935
Delaware	0	2	2	10	317	327
District of Columbia	0	1	1	0	145	145
Florida	0	5	5	5	1,138	1,143
Georgia	0	1	1	101	302	403
Hawaii	0	0	0	3	72	75
Idaho	1	7	8	88	1,464	1,552
Illinois	4	149	153	761	26,034	26,795
Indiana	1	17	18	184	3,392	3,576
Iowa	1	10	11	186	2,251	2,437
Kansas	3	18	21	503	3,124	3,627
Kentucky	2	13	15	387	2,314	2,701
Louisiana	3	0	3	638	187	825
Maine	1	6	7	247	1,475	1,722
Maryland	0	18	18	47	3,377	3,424
Massachusetts	2	24	26	268	5,117	5,385
Michigan	7	60	67	1,228	12,017	13,245
Minnesota	1	38	39	348	9,936	10,284
Mississippi	0	0	0	124	13	137
Missouri	2	30	32	255	5,466	5,721
Montana	1	3	4	94	454	548
Nebraska	2	11	13	337	1,914	2,251
Nevada	0	2	2	7	399	406
New Hampshire	0	5	5	16	1,834	1,850
New Jersey	2	51	53	398	9,536	9,934
New Mexico	0	1	1	24	233	257
New York	3	78	81	498	15,122	15,620
North Carolina	0	4	4	9	1,199	1,208
North Dakota	0	3	3	35	616	651
Ohio	4	57	61	723	11,311	12,034
Oklahoma	1	7	8	159	1,173	1,332
Oregon	1	10	11	191	2,058	2,249
Pennsylvania	4	31	35	591	7,084	7,675
Rhode Island	1	4	5	139	979	1,118
South Carolina	0	1	1	0	212	212
South Dakota	0	2	2	71	411	482
Tennessee	0	1	1	2	358	360
Texas	0	3	3	2	960	962
Utah	0	2	2	9	440	449
Vermont	1	8	9	164	1,613	1,777
Virginia	1	12	13	96	2,475	2,571
Washington	1	14	15	168	2,887	3,055
West Virginia	0	1	1	13	184	197
Wisconsin	4	90	94	616	18,282	18,898
Wyoming	0	1	1	3	151	154
American Samoa	0	0	0	0	0	0
Freely Associated States	0	0	0	0	0	0
Guam	0	0	0	0	0	0
N. Mariana Islands	0	0	0	0	0	0
Puerto Rico	0	0	0	0	0	0
Virgin Islands	0	0	0	15	8	23
Indian Tribes	0	0	0	0	0	0
DOD Army/AF/USMC/NAVY	0	0	0	0	0	0
Anticipated Adjustment	0	0	0	0	0	0
TOTAL	58	879	937	10,589	179,217	189,806

NOTE: These data are based in part on preliminary data submitted by State and local agencies and are subject to change as revised reports are received.

FOOD AND NUTRITION SERVICE

The estimates include proposed changes in the language of this item as follows (new language underscored; deleted matter enclosed in brackets):

Special Supplemental Food Program for Women, Infants, and Children (WIC)

For necessary expenses to carry out the special supplemental food
program as authorized by section 17 of the Child Nutrition Act of 1966
(42 U.S.C. 1786), [$2,126,000,000] $2,215,248,000, to remain
1 available through September 30, [1991, of which up to $2,800,000 may be
used to carry out the farmer's market coupon demonstration project]
2 1992.

The first change deletes a provision applicable only to 1990. No funding is requested for Farmer's Market Demonstration projects in 1991.

The second change makes the appropriation available until September 30, 1992.

SPECIAL SUPPLEMENTAL FOOD PROGRAM (WIC)

Appropriations Act, 1990		$2,126,000,000
Budget Estimate, 1991		2,215,248,000
Increase in Appropriation		+89,248,000
Adjustments in 1990		
Appropriation Act, 1990	2,126,000,000	
Gramm-Rudman-Hollings Reduction (P.L. 99-177)	-42,000	
Adjusted base for 1990		2,125,958,000
Budget estimate, Current Law 1991		2,215,248,000
Increase over adjusted 1990		+89,290,000

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

Item of Change	1990 Estimated	Program Changes	1991 Estimated
Special Supplemental Food Program (WIC)	$2,125,958,000	+89,290,000	$2,215,248,000

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1989 Actual	1990 Estimated	Increase or Decrease	1991 Estimated
Special Supplemental Food Program (WIC):				
(a) Grants to States for supplemental food	$1,539,599,600	$1,600,923,000	+$57,091,000	$1,658,014,000
(b) Costs for nutrition services and administration	384,762,400	518,077,000	+34,157,000	552,234,000
(c) Farmers' Market Projects	2,000,000	2,000,000	-2,000,000	—
(d) Program evaluation projects	3,000,000	4,958,000	+42,000	5,000,000
Total, Available or Estimate	1,929,362,000	2,125,958,000	+89,290,000(1)	2,215,248,000
Gramm-Rudman-Hollings Reduction	—	42,000	-42,000	—
Total, Appropriation	1,929,362,000	2,126,000,000	89,248,000	2,215,248,000

PROJECT STATEMENT
(On basis of available funds)

Project	1989 Actual	1990 Estimated	Increase or Decrease	1991 Estimated
Special Supplemental Food Program (WIC):				
(a) Grants to States for supplemental food	$1,539,162,915	$1,601,363,003	+$56,650,997	1,658,014,000
(b) Costs for nutrition services and administration	384,763,120	518,077,000	+34,157,000	552,234,000
(c) Farmers' Market Project	2,000,000	2,000,000	-2,000,000	—
(d) Program evaluation projects	3,000,000	4,958,000	+42,000	5,000,000
Total, Obligations	1,928,926,035	2,126,398,003	+88,849,997	2,215,248,000

Project	1989 Actual	1990 Estimated	Increase or Decrease	1991 Estimated
Recovery of prior year obligations	-136,801	—	—	—
Unobligated balances:				
Available, start of year	-4,047	-440,003	+440,003	—
Available, end of year	440,003	—	—	—
Lapsing	136,810			
Total, Available or Estimate	1,929,362,000	2,125,958,000	+89,290,000(1)	2,215,248,000
Gramm-Rudman-Hollings Reduction	—	42,000	-42,000	—
Total, Appropriation	1,929,362,000	2,126,000,000	+89,248,000	2,215,248,000

EXPLANATION OF PROGRAM

Overview of Program Development. The Special Supplemental Food Program (Women, Infants and Children (WIC)) is authorized by section 17 of the Child Nutrition Act of 1966, as amended. The program was established as a 2-year pilot project under Public Law 92-433. Public Law 96-499, enacted on December 5, 1980, extended the program authorization through September 30, 1984. The authorization was extended through 1989 by Public Laws 99-500 and 99-591, the School Lunch and Child Nutrition Amendments of 1986. Public Law 101-147, the Child Nutrition and WIC Reauthorization Act of 1989, authorizes the program through September 30, 1994.

Eligibility. Funds are made available to local health clinics through State departments of health and to Indian groups to provide supplemental foods to low-income pregnant, postpartum and breastfeeding women, infants and young children up to 5 years of age who are determined by competent professionals (physicians, nutritionists, nurses and other health officials) to be at nutritional risk.

Benefits. The WIC Program food packages are designed to provide foods rich in nutrients lacking in the diets of the WIC Program target population. The authorized supplemental foods are iron-fortified infant formula, infant cereal, milk, cheese, eggs, iron-fortified breakfast cereal, fruit or vegetable juice which contains vitamin C, dry beans and peas, and peanut butter. In addition, WIC provides as integral program benefits nutrition education and referrals to health services. In Fiscal Year 1990, program funds are expected to support an average monthly participation of at least 4.6 million participants at an average cost of $38.12 per person per month. The number of people who can be served by the program is enhanced as cost containment measures, especially infant formula rebates, allow available funds to expand program coverage.

State/Federal Responsibilities. The program is administered in a Federal/State partnership in which the Food and Nutrition Service (FNS) provides cash grants to States for food and administrative expenses. States develop operating plans which, after consideration of public comment and FNS approval as required by statute and Federal regulations, define how the State will implement the program for the year. States then enter into written agreements with local agencies and allocate administrative money to local health care agencies and clinics where WIC programs are administered.

There are three general types of delivery systems for WIC foods: (1) retail purchase in which participants obtain "food instruments" which are redeemed for supplemental foods through retail stores; (2) home delivery systems in which food is delivered to the participant's home; and (3) direct distribution systems in which participants pick up food from a distribution outlet. The food is free of charge to all participants.

In retail purchase States, the local clinics prescribe food packages by providing participants "food instruments" each month which the participants exchange for foods at approved retail grocery stores. The form of the food instruments varies from State to State; they may be vouchers or checks. Where food instruments are checks, they are deposited in a bank before their expiration date by the retailer. Vouchers must be submitted to a State or local WIC agency before their expiration date and the retailers are paid within 60 days of voucher submission. The States are responsible for monitoring retailers and assuring the integrity of the redemption system. Presently, over 50,000 retailers are authorized to participate in the program.

FNS provides funds for the cost of the food packages and the costs of administering the program, including nutrition education. Funds are allocated to States for food costs on the basis of a funding formula which takes into consideration previous funding, benefit targeting, inflation and each State's number of income eligible persons, low weight births, and infant mortality rates. Administrative funds are allocated among the States for costs for nutrition services and administration associated with the WIC Program. These administrative costs include certifying participant eligibility, food delivery and warehousing, monitoring, nutrition education, breastfeeding promotion, drug abuse education, financial management, clinic operations and administration by State agencies. Not less than one-sixth of these administrative funds must be used for nutrition education activities. Up to one-half of 1 percent of sums appropriated, not to exceed $5 million, may be made available for evaluation of program performance. P.L. 101-147 mandates that $8 million is to be allocated among the States for the purposes of promoting breastfeeding by WIC participants. Public Law 101-147, enacted November 10, 1989, requires WIC State agencies to include in their State plan of program operation and administration a plan to coordinate operations under the program with alcohol and drug abuse counseling and treatment services. It also requires State agencies to ensure that each local agency maintains and makes available for distribution a list of local resources for substance abuse counseling and treatment.

State Food Cost Containment Initiatives to Expand Participation. The Child Nutrition and WIC Amendments Reauthorization Act, P.L. 101-147, requires State agencies with retail food delivery systems to use a competitive bidding system or a system with equal savings for the procurement of infant formula. Savings from these efforts are to be used to expand program participation. The total amount of savings from rebates for Fiscal Year 1990 is projected at over $450 million, with an average monthly participation increase over 800,000. Total savings for Fiscal Year 1991 are projected at over $500 million.

P.L. 101-147 permits State agency fiscal year carry-over authority from the second year of implementation of an approved cost-containment system in an amount equal to 3 percent of the States' food grant (reduced from 5 percent). P.L. 101-147 also permits State agencies with approved cost containment systems to use funds from the first quarter of a fiscal year to cover obligations incurred during the fourth quarter of the preceding year.

Farmer's Market Coupon Demonstration Projects

The Hunger Prevention Act of 1988, Public Law 100-435, authorized FNS to award grant funds for up to 10 3-year demonstration projects to provide WIC participants with coupons that can be redeemed for fresh, unprepared foods at authorized farmers' markets. The following States were selected through a competitive grant application process to administer the projects: Connecticut, Iowa, Maryland, Massachusetts, Michigan, New York, Pennsylvania, Texas, Vermont, and Washington.

The full $2 million authorized for the projects in Fiscal Year 1989 was awarded to grantees based on the number of projected recipients. Congress has also appropriated up to $2 million for the projects in Fiscal Year 1990. FNS intends to allocate Fiscal Year 1990 funds to grantee States based on the same pro rata shares of available funds as they received last year. FNS is conducting an evaluation of the projects and will submit a report of the results to Congress following the end of the second year of project operations.

JUSTIFICATION OF INCREASES AND DECREASES

(1) An increase of $89,290,000 in the appropriation (and available funds) for the Special Supplemental Food Programs (WIC) (2,125,958,000 available in Fiscal Year 1990).

Need for Change. The increase in funds is needed to maintain the program in Fiscal Year 1991 with an adjustment for inflation from the Fiscal Year 1990 base. The requested increase reflects inflation and also the effects of the increase in administrative funding due to P.L. 101-147.

This request reflects an additional increase in participation anticipated from cost containment initiatives, largely from infant formula rebates. More than $500 million is expected to be available from formula rebates during Fiscal Year 1991, supporting over 800,000 participants.

No funding is requested for Farmer's Market Demonstration projects in Fiscal Year 1991.

Nature of Change. The average cost per person will rise from $38.12 in Fiscal Year 1990 to $39.21 in Fiscal Year 1991. Program research has been increased to the authorized level of $5 million.

Special Supplemental Food Program	1989 Actual	1990 Estimate	1991 Estimate	Change
Average Participation per month (in millions)	4.1	4.6	4.7	0.1
Program level ($ in millions):				
Food costs	$1,539.1	$1,601.3	$1,658.0	+$56.7
State and local administrative costs	384.8	518.1	552.2	34.1
Farmers' Market Projects	2.0	2.0	—	-2.0
Program evaluation projects	3.0	5.0	5.0	—
Total	1,928.9	2,126.4	2,215.2	+88.8

SPECIAL SUPPLEMENTAL FOOD PROGRAM FOR WOMEN, INFANTS AND CHILDREN (WIC)

STATUS OF PROGRAM

The WIC Program provides nutritious supplemental foods to low income pregnant, postpartum, and breastfeeding women, and to infants and children up to their fifth birthday, who are determined by competent professionals (physicians, nutritionists, nurses, and other health officials) to be at nutritional risk.

The Food and Nutrition Service makes funds available to participating State agencies which in turn distribute the funds to participating local agencies. Participating State agencies may be State health departments or Indian tribes which are recognized by either the Department of Health and Human Services' Indian health Service or by the Department of the Interior. State and local agencies use WIC funds to pay the costs of specified supplemental foods provided to WIC participants, and to pay specified administrative costs, including the cost of nutrition education and health care referrals.

Program Participation and Costs

An average of 4.1 million persons participated each month in Fiscal Year 1989. The monthly costs of the food package varied among the individual States, with an average monthly cost of $30.27 nationwide. In addition to food costs, approximately 20 percent of the funds appropriated were available for State program administrative costs. In Fiscal Year 1989, these costs averaged $8.07 per person per month for a total monthly cost per person of $38.34.

Benefit Targeting

During Fiscal Year 1989, State agencies began reporting nutritional risk priority data on participants rather than enrollees. This data provides information on the results of State agency targeting efforts. Strong emphasis has been placed on service to high risk persons. High risk persons are placed in Priorities I-III, and are considered to be most in need of the WIC program benefits due to nutrition-related medical conditions. The Priority I group consists of pregnant and breastfeeding women and infants with certain medical conditions. Priority II consists of infants of women who actually participated in WIC or infants of women who would have been eligible to participate as a Priority I participant during their pregnancies. Also, women breastfeeding priority II infants may be classified as Priority II. Priority III is composed of children with certain medical conditions and some high-risk postpartum women. Analysis of the priority data collected for November 1988 and February 1989 disclosed that Priorities I, II and III account for 31.01, 14.36 and 38.97 percent, respectively, of the national WIC caseload. Thus, over 84 percent of all persons enrolled in WIC are in the three highest risk groups. Based on data collected in 1986, over 77 percent of those fully eligible are in the three highest risk groups.

Cost Containment Initiatives

General. In an effort to use their food grants more efficiently, many WIC State agencies have implemented cost containment activities. Savings generated by competitive bidding, rebate, home delivery or direct distribution systems allow State agencies to provide benefits to more participants at no additional food cost. The most successful cost containment strategy has been to obtain rebates on infant formula. As of the end of Fiscal Year 1989, 54 State agencies had completed negotiations with infant formula companies to receive rebates for each can of infant formula purchased with WIC funds. Rebate savings to these State agencies range from 31.4 cents to $1.567 per can.

Public Law 100-460. An interim final rule was published in May 1989 requiring all WIC State agencies to explore the feasibility of implementing one of four acceptable cost containment initiatives as required by P.L. 100-460: competitive bidding, rebates, home delivery, or direct distribution. Such cost containment initiatives were to focus primarily on the acquisition of infant formula, and on other foods supplied by the WIC Program, if practicable. If a State agency determined through the mandatory feasibility study that its food costs could be reduced effectively through one of these systems, it was then required to take steps toward implementing such a system by August 30, 1989. States failing to comply with either requirement (the feasibility study or subsequent implementation where found to be practicable) were not to receive WIC funds for Fiscal Year 1989.

All but six States submitted their feasibility studies by the June 1, 1989, deadline specified in the rulemaking. Letters of credit were frozen for the six noncompliant State agencies prior to the release of 4th quarter funds, but their feasibility studies were submitted to FNS in sufficient time to allow them to draw 4th quarter monies.

The feasibility studies indicated that 47 State agencies had acceptable cost containment systems in place; another 7 States were in the process of implementing such systems as of June 1. Only five State agencies, all very small Indian Tribal Organizations, concluded that implementation of a cost containment system would not be practicable. FNS approved these negative-action conclusions. All of the States which indicated that implementation of a cost-containment system would be feasible initiated such implementation by August 30, 1989, as required. At the end of Fiscal Year 1989, only 21 States had yet to implement an acceptable cost containment system. Of these, 12 were to be in effect on October 1, 1989, and 9 were to be implemented no later than January 30, 1990.

WIC Vendor Management

During Fiscal Year 1988, the Office of the Inspector General (OIG) performed a national audit of WIC State agency vendor monitoring systems, vendor compliance activities, the reconciliation process, efforts to detect and prevent dual participation, and the overall FNS/State agency monitoring. The major findings of the audit dealt with (1) the inadequacy of State agency ADP systems to detect and analyze vendor redemption data for probable abuse; (2) weak State agency vendor selection practices; (3) limited Federal staff resources to oversee State agency operations; (4) the need to standardize vendor sanctions nationwide and (5) the need for improved information sharing on vendor abuse between the Food Stamp and WIC Programs.

The corrective action plan developed in response to the audit has resulted in the initiation of several projects for Fiscal Year 1989. A vendor Futures Group consisting of regional, headquarters, and State representatives met to discuss proposed regulations addressing the deficiencies found in the audit. A National Vendor Meeting was held in December 1988 to provide technical assistance to States on identifying and taking action against abusive vendors. An FNS Instruction was developed and distributed in December 1988 to facilitate the sharing of information between State agencies and FNS on joint WIC/Food Stamp vendors. Proposed regulations addressing the deficiencies outlined in the audit were discussed at the February 1989 meeting of the National Association of WIC State Directors. A national comprehensive management evaluation guide to ensure a uniform approach to review of State agency operational areas has been developed as well as a format for improved reporting of State agency vendor management data to FNS.

WIC Program Research

In Fiscal Year 1989 work was completed for the first legislatively mandated biennial report on WIC participant and program characteristics. This report will be provided to Congress early in calendar 1990. Two administrative cost reports were issued in Fiscal Year 1989. The first study documented operating costs and procedures in 16 widely different types of WIC local agencies across the country. These case studies and guidance materials serve as examples of management strategies for other WIC agencies and illustrate commonly held views on indicators of high quality in local WIC operations. The second study assessed the long term effects of cost containment initiatives on WIC administrative funding with particular focus on infant formula rebates. This study was mandated by law and provided information used in Congressional reauthorization of the WIC Program. Several studies are nearing completion including the Vendor Management Study, and the Breastfeeding Promotion Study. The Illinois Competitive Vendor Selection Project is underway and beginning to yield data for analysis. The Field Test for the WIC Child Impact Study was awarded at the close of Fiscal Year 1989 and is expected to be completed in Fiscal Year 1990.

Nutritional Risk Criteria

Both the Department and the General Accounting Office have been concerned for some time over the wide disparity among States' nutritional risk criteria and the appropriateness of some of the criteria in use. An effort toward reducing this disparity was initiated in November 1987. State agencies were advised of the Department's intention to examine the nutritional risk criteria to be used in Fiscal Year 1990. This was a follow-up to a similar review of Fiscal Year 1986 criteria. The results were reported to State agencies. Criteria from the two fiscal years will be compared to assess State agency movement toward consistency and clarity, and to determine whether further Departmental action is needed.

In March 1989, FNS issued as guidance a set of eight tests, or standards of practice, which State agencies should apply to each nutritional risk criterion proposed for Priority Groups I, II, and III. Since Priorities I-III are intended to represent WIC applicants at the highest levels of nutritional risk, the standards were restricted to these groups. Each standard contributes to the practical process of applying a reasonable interpretation of the statutory and regulatory definition of "nutritional risk" to the selection of specific criteria. They have been designed to facilitate the processes of distinguishing nutritionally related medical conditions, reflected in Priorities I, II, and III, from lower priority risk criteria (Priorities IV-VII), and identifying criteria that are not appropriate for any priority level.

Farmers' Market Coupon Demonstration Projects

The Hunger Prevention Act of 1988 (Public Law 100-435), enacted on September 19, 1988, authorized up to 10 Farmers' Market Coupon Demonstration Projects for a 3-year period. The projects provide WIC participants with up to $20 per year in coupons that they can redeem for fresh, unprepared foods at authorized farmers' markets. The legislation authorized $2 million in Fiscal Year 1989, $2.8 million in Fiscal Year 1990 and $3.5 million in Fiscal Year 1991. The full $2 million authorized for the projects in Fiscal Year 1989 was awarded.

States selected to administer the projects are as follow: Connecticut, Iowa, Maryland, Massachusetts, Michigan, New York, Pennsylvania, Texas, Vermont, and Washington. Eight of the projects are administered by State Departments of Agriculture and 2 (Texas and Washington) are administered by State Departments of Health. Four projects use State funds to serve, in addition to WIC participants, other categories such as elderly persons. Such persons are served with State matching funds, other than Federal grant funds.

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SPECIAL SUPPLEMENTAL FOOD PROGRAM (WIC)
PARTICIPATION AND PROGRAM FINANCING

FISCAL YEAR 1989

STATE OR TERRITORY	NUMBER OF CLINICS PROVIDING BENEFITS 2/	AVERAGE MONTHLY PARTICIPATION				PROGRAM GRANT (000)
		WOMEN	INFANTS	CHILDREN	TOTAL	
Alabama	109	19,237	27,515	39,589	86,341	$41,061
Alaska 1/	111	2,100	2,178	3,150	7,428	5,761
Arizona 1/	152	15,821	18,363	26,658	60,902	35,895
Arkansas	111	13,570	15,573	24,882	54,025	25,024
California	515	123,243	140,561	126,824	390,628	172,979
Colorado 1/	101	8,588	10,438	26,385	45,411	19,325
Connecticut	81	8,212	10,454	28,463	47,129	27,245
Delaware	20	1,886	3,074	4,711	9,671	4,583
District of Columbia	15	2,498	4,203	4,528	11,229	6,230
Florida 1/	275	42,583	52,520	64,520	159,623	69,776
Georgia	254	35,327	43,363	74,654	153,344	61,237
Hawaii	11	3,269	4,436	5,243	12,948	9,290
Idaho	58	4,240	4,717	11,659	20,616	10,633
Illinois	267	37,173	60,260	67,878	165,311	76,762
Indiana	123	18,076	25,324	42,283	85,683	37,454
Iowa	146	9,340	9,386	25,609	44,335	18,744
Kansas	130	7,237	10,433	17,577	35,247	16,899
Kentucky	149	21,037	22,854	39,072	82,963	38,043
Louisiana	114	26,929	33,135	48,303	108,367	55,432
Maine 1/	116	4,159	4,444	10,984	19,587	10,154
Maryland	106	10,068	13,965	20,605	44,638	23,550
Massachusetts	127	12,106	16,243	35,663	64,012	31,202
Michigan	218	27,945	39,868	73,845	141,658	66,860
Minnesota	240	11,706	16,335	41,629	69,670	27,942
Mississippi 1/	138	19,184	27,253	50,306	96,743	38,739
Missouri	252	15,987	26,512	34,715	77,214	36,419
Montana	67	2,415	3,508	8,242	14,165	7,401
Nebraska 1/	92	5,044	5,658	10,631	21,333	11,404
Nevada 1/	43	3,501	3,843	7,385	14,729	7,097
New Hampshire	84	2,794	3,308	7,831	13,933	7,197
New Jersey	234	15,743	23,805	38,648	78,196	40,629
New Mexico 1/	90	8,559	11,076	14,929	34,564	18,098
New York 1/	495	70,543	103,496	137,729	311,768	152,195
North Carolina 1/	197	28,509	37,140	57,369	123,018	54,851
North Dakota 1/	105	3,299	3,569	8,961	15,829	7,119
Ohio	215	38,718	63,057	84,334	186,109	81,029
Oklahoma 1/	169	11,123	18,572	24,163	53,858	30,069
Oregon	105	13,776	11,531	20,433	45,740	19,115
Pennsylvania	322	25,638	46,483	106,318	178,439	74,208
Rhode Island	24	2,657	3,621	8,104	14,382	7,907
South Carolina	131	20,492	22,944	35,762	79,198	39,551
South Dakota 1/	92	3,042	4,099	9,558	16,699	8,563
Tennessee	146	23,534	35,816	32,570	91,920	41,307
Texas	467	74,322	87,842	149,531	311,695	129,806
Utah	56	9,698	9,015	23,064	41,777	19,308
Vermont	61	3,080	2,469	9,014	14,563	6,864
Virginia	151	18,264	23,543	36,675	78,482	37,644
Washington	114	15,154	20,921	15,432	51,507	26,636
West Virginia	71	6,671	9,397	16,011	32,079	16,469
Wisconsin	259	10,884	18,721	40,603	70,208	29,918
Wyoming 1/	36	2,222	2,007	5,795	10,024	4,553
American Samoa	0	0	0	0	0	0
Freely Associated States	0	0	0	0	0	0
Guam	3	529	735	1,500	2,764	2,056
N. Mariana Islands	0	0	0	0	0	0
Puerto Rico	115	28,299	38,035	50,039	116,373	80,052
Virgin Islands	7	1,093	1,646	3,300	6,039	4,640
DOD Army/AF/USMC/NAVY	0	0	0	0	0	0
Undistributed	0	0	0	0	0	-9,115
TOTAL	7,890	951,184	1,259,264	1,913,666	4,124,114	$1,923,816 3/

1/ Includes Indian Agencies.

2/ Number of clinics reported for FY 1988.

3/ Excludes $3.0 million for evaluations, $2.0 million for Farmers' Market Project and $0.1 million Anti-Drug Abuse.

NOTE: These data are based in part on preliminary data submitted by State and local agencies and are subject to change as revised reports are received.

FOOD AND NUTRITION SERVICE

The estimates include proposed changes in the language of this item as follows (new language underscored; deleted matter enclosed in brackets):

Food Stamp Program

For necessary expenses to carry out the Food Stamp Act (7 U.S.C.
1 2011-2027, [2028,] 2029), [$15,707,096,000] $15,476,681,000: Provided,
That funds provided herein shall remain available through September 30,
2 [1990] 1991, in accordance with section 18(a) of the Food Stamp Act:
3 Provided further, That up to $500,000,000 in addition to the foregoing
amount shall be available to the extent necessary to pay benefits not
anticipated in budget estimates: Provided further, That up to 5 per
4 centum of the [foregoing amount] amounts appropriated herein may be
placed in reserve to be apportioned pursuant to [section 3679 of the
5 Revised Statutes, as amended], 31 U.S.C. 1512 for use only in such
amounts and at such times as may become necessary to carry out program
operations: Provided further, That funds provided herein shall be
expended in accordance with section 16 of the Food Stamp Act: Provided
6 further, That [this appropriation shall be subject to any work
registration or work fare requirements as may be required by law:
Provided further, That $345,000,000 of the funds provided herein shall
be available only to the extent necessary after the Secretary has
employed the regulatory and administrative methods available to him
under the law to curtail fraud, waste, and abuse in the program:
7 Provided further, That $936,750,000 of the foregoing amount shall be
available for Nutrition Assistance for Puerto Rico as authorized by 7
U.S.C. 2028, of which not to exceed $10,825,000 is available for the
8 Cattle Tick Eradication Project] amounts paid to States pursuant to
section 16(h)(2) of the Food Stamp Act shall not exceed $12.50 per
participant per month.

9 For making, after July 31 of the current fiscal year, benefit payments to individuals under the Food Stamp Act, for unanticipated costs incurred for the current fiscal year, such sums as may be necessary.

10 For necessary expenses to carry out the Food Stamp Act (7 U.S.C. 2011-2027, 2029) for the first quarter of fiscal year 1992, $4,023,000,000, to remain available through September 30, 1992.

The first and seventh changes delete provisions applicable to Nutrition Assistance for Puerto Rico. Appropriations for this activity are included in the budget request for the Department of Health and Human Services.

The second change makes the appropriation available until September 30, 1991.

The third change provides for additional appropriations to meet unanticipated benefit needs.

The fourth change clarifies a reference to appropriated amounts.

The fifth change provides a United States Code citation in a manner consistent with other references.

The sixth change deletes provisions previously incorporated in appropriations which are no longer necessary.

The eighth change specifies maximum payments to States for matching administrative costs of employment and training programs.

The ninth change provides for indefinite appropriations after July 31, 1991 for unanticipated benefit needs for Fiscal Year 1991.

The tenth change provides for advance appropriations for the first quarter of Fiscal Year 1992. Advance appropriations are requested to ensure continuous funding for the program at the beginning of the fiscal year.

FOOD STAMP PROGRAM - CURRENT LAW

Appropriations Act, 1990		$15,707,096,000
Budget Estimate, 1991		15,976,681,000
Increase in Appropriation		269,585,000
Adjustments in 1990		
Appropriation Act, 1990	$15,707,096,000	
Gramm-Rudman-Hollings Reduction (P.L. 99-177)	-757,000	
Adjusted base for 1990		15,706,339,000
Budget Estimate, Current Law, 1991		15,976,681,000
Increase over adjusted 1990		270,342,000

FOOD STAMP PROGRAM - PROPOSED LEGISLATION

Budget Estimate, Current Law	$15,976,681,000
Change Due to Proposed Legislation	-70,000,000
Net Request, President's 1991 Budget Request	15,906,681,000

SUMMARY OF INCREASES AND DECREASES - CURRENT LAW

(On basis of adjusted appropriation)

Item of Change	1990 Estimated	Program Changes	1991 Estimated
Benefits:			
Correct benefits	$12,463,187,000	+$709,958,000	$13,173,145,000
Erroneous benefits	938,089,000	+23,042,000	961,131,000
Total, Benefits Costs	13,401,276,000	+733,000,000	14,134,276,000
Administrative costs:			
Payments to States			
State administration	1,165,603,000	+64,619,000	1,230,222,000
Employment and training	149,378,000	+4,016,000	153,394,000
Subtotal, Payments to States	1,314,981,000	+68,635,000	1,383,616,000
Other program costs:			
Printing of stamps	18,442,000	+1,094,000	19,536,000
Shipment of stamps	2,900,000	+173,000	3,073,000
Processing redeemed stamps	16,502,000	+2,395,000	18,897,000
Computer support systems	3,188,000	-227,000	2,961,000
Certification of SSI recipients for food stamps	2,874,000	+35,000	2,909,000
Printing redemption certificates	492,000	+508,000	1,000,000
Bank monitoring system	261,000	+15,000	276,000
Printing other than stamps	715,000	+43,000	758,000
Research, evaluation and demonstration projects	7,592,000	+1,408,000	9,000,000
State exchange projects	169,000	+10,000	179,000
QC litigation	197,000	+3,000	200,000
Subtotal, Other program costs	53,332,000	+5,457,000	58,789,000
Total, Administrative costs	1,368,313,000	+74,092,000	1,442,405,000

(continued)

Item of Change	1990 Estimated	Program Changes	1991 Estimated
Nutrition Assistance for Puerto Rico................	936,750,000	-936,750 000	— 1/
Contingency for Benefits.......	—	+500,000,000	500,000,000
Collections:			
State error liability	—	-100,000,000	-100,000,000
Total, Appropriation	15,706,339,000	+270,342,000	15,976,681,000

1/ Program expires; a replacement program is proposed in the Department of Health and Human Services.

PROJECT STATEMENT - CURRENT LAW
(On basis of adjusted appropriation)

Project	1989 Actual	1990 Estimated	Increase or Decrease	1991 Estimated
Benefits:				
Correct benefits	$10,768,894,034	$12,463,187,000	+$709,958,000	$13,173,145,000
Erroneous benefits	835,517,640	938,089,000	+23,042,000	961,131,000
Total, Benefits costs	11,604,411,674	13,401,276,000	+733,000,000(1)	14,134,276,000
Administrative costs:				
State administration.......	1,076,574,386	1,165,603,000	+64,619,000(2)	1,230,222,000
Employment and Training ...	126,088,006	149,378,000	+4,016,000(3)	153,394,000
Other program costs:				
Printing of stamps	17,842,475	18,442,000	+1,094,000	19,536,000
Shipment of stamps	2,830,000	2,900,000	+173,000	3,073,000
Processing redeemed stamps	17,212,000	16,502,000	+2,395,000	18,897,000
Computer support systems	3,126,000	3,188,000	-227,000	2,961,000
Certification of SSI recipients for food stamps	2,679,000	2,874,000	+35,000	2,909,000
Printing redemption certificates	162,551	492,000	+508,000	1,000,000
Bank monitoring system ..	49,235	261,000	+15,000	276,000
Printing other than stamps	598,000	715,000	+43,000	758,000
Research, evaluation and demonstration projects	7,805,644	7,592,000	+1,408,000	9,000,000
State exchange projects .	148,542	169,000	+10,000	179,000
QC litigation		197,000	+3,000	200,000
Subtotal, Other program costs	52,453,447	53,332,000	+5,457,000(4)	58,789,000
Total, Administrative costs .	1,255,115,839	1,368,313,000	+74,092,000	1,442,405,000
Nutrition Assistance Puerto Rico......................	908,250,000	936,750,000	-936,750,000(5)	—
Total, Obligations	13,767,777,513	15,706,339,000	-129,658,000	15,576,681,000
Unobligated balances Lapsing	55,801,487	—	+500,000,000(6)	500,000,000
State error liability collections	—	—	-100,000,000(7)	-100,000,000
Total, Available or Estimate.	13,823,579,000	15,706,339,000	+270,342,000	15,976,681,000
Gramm-Rudman-Hollings Reduction	—	757,000	-757,000	—
Total, Appropriation.........	13,823,579,000	15,707,096,000	+269,585,000	15,976,681,000

EXPLANATION OF PROGRAM

FOOD STAMP PROGRAM

Overview of Program Development. The Food Stamp Program, which is authorized through September 30, 1990, by the Food Security Act of 1985, (P.L. 99-198) helps individuals and families with low incomes to obtain a more nutritious diet.

The program was initiated on a pilot basis in 1961 and established as a permanent program in 1964. The Food Stamp Program enables low-income households to obtain better diets by augmenting the funds they have to spend on food with food stamps usable to purchase food items at most food stores. The Food Stamp Program evolved from the commodity distribution to needy families program established in 1936. Commodities purchased for farm assistance purposes were made available for distribution to needy individuals through various Federal, State, and local welfare organizations. In 1961, the basic emphasis of commodity donations changed significantly when an Executive Order expanded the program's objectives from removing surpluses to also encompass raising the quantity and improving the quality of foods distributed. Beginning in that year a food stamp pilot project was undertaken in a number of States which showed that domestic agriculture benefited from the increased purchasing power available to low-income households.

The Food Stamp Act of 1964 authorized a permanent Food Stamp Program which would gradually supplant commodity distribution. The program was implemented in most counties by 1969, although it was not until Fiscal Year 1975 that the Food Stamp Program became available in all counties nationally.

Legislation

Food Stamp Program operations were affected by five legislative actions which were approved in Fiscal Year 1989.

- P.L. 100-481, Technical Correction in the Family Independence Demonstration Project (FIP) (October 11, 1988), assured that those who did not participate in Washington State's welfare reform project but lived in households with participants would receive a food stamp allotment that is no less than they would have received if there were no FIP demonstration.
- P.L. 100-503, the Computer Matching and Privacy Protection Act of 1988 (October 18, 1988), required procedures to safeguard the rights of households that might suffer an adverse effect as the result of a computer match.
- P.L. 100-619, Technical Correction to the Hunger Prevention Act of 1988 (November 5, 1988), changed the effective date for section 344 of the Hunger Prevention Act (P.L. 100-435) (authority for the Secretary to levy a civil money penalty in lieu of permanent disqualification under certain conditions) to October 1, 1988 rather than July 1, 1989.
- P.L. 100-707, the Robert T. Stafford Disaster Relief and Emergency Assistance Act (November 21, 1988), excluded as income and resources Federal major disaster and emergency assistance provided to individuals and families under that Act and comparable disaster assistance provided by States, local governments, and disaster assistance organizations.
- P.L. 101-56, the Computer Matching and Privacy Protection Act of 1989 (July 19, 1989), delayed implementation of the Computer Matching and Privacy Protection Act of 1988 (P.L. 100-503) until January 1, 1990.

Eligibility and Benefits. Eligible participants are entitled to food stamp allotments based on their household size and net income after certain deductions. The food stamps increase the food purchasing power of eligible households and thus enable them to attain a better diet than would have been possible without the assistance of the Food Stamp Program.

Benefit Costs. The Food Stamp Program is currently in operation in all 50 States, the District of Columbia, the Virgin Islands and Guam. The cost of the stamps is paid by the Federal Government and is called "benefit" costs. As required by law, the food stamp allotments for the various household sizes are periodically revised to reflect changes in the cost of the Thrifty Food Plan (TFP). The last revision was made on October 1, 1989. The maximum benefit in Fiscal Year 1990 for a family of four is $331, or 102.05 percent of the value of TFP. In Fiscal Year 1990 the overpayment error rate is expected to be 7.0 percent of total benefit costs. It is anticipated that this rate will decline to 6.8 percent in Fiscal Year 1991. In Fiscal Year 1990, an average of 19.3 million persons are expected to participate in the program monthly and receive stamps worth an average of $58.84 per person per month to supplement their existing income for the purchase of food.

State Administration. Since October 1, 1974, all direct and indirect administrative costs incurred for certification of households, issuance of food stamps, quality control and fair hearing efforts have been shared by the Federal Government and the States on a 50-50 basis. Enhanced Federal funding at the 75 percent level is available for automated data processing development costs incurred by State agencies. State agencies can also receive 75 percent funding for fraud prevention related activities. The Hunger Prevention Act of 1988 (P.L. 100-435) revised the incentive system for States with low overpayment error rates. The normal 50 percent Federal share of State administrative costs can be increased up to a maximum of 60 percent, depending on the extent to which the State's error rate falls below 6 percent, provided they also meet a standard for the rate of improper denials or terminations set by the Secretary.

The Hunger Prevention Act of 1988 altered the assessment of liabilities for States with excessive errors. State agencies are held liable when their rate of overissuances and payments to ineligible households plus their rate for underissuance exceeds the lowest ever achieved national error rate average plus one percent. Liabilities are based on the level of State issuance and the extent to which the State's error rate exceeds a tolerance level.

State administration also includes State anti-fraud activities. Under the provisions of the Food Stamp Act of 1977, as amended, States are eligible to be reimbursed for 75 percent of the costs of their food stamp fraud investigations and prosecutions. Of the funds appropriated for State administration, $69.2 million has been budgeted to cover State anti-fraud activities in Fiscal Year 1990.

Employment and Training (E&T) Program. States are required to implement an E&T program for the purpose of assisting members of households participating in the Food Stamp Program in gaining skills, training or experience that will increase their ability to obtain regular employment. In Fiscal Year 1990, the Department will provide States 100 percent Federal grants totaling $60 million, and distribute $15 million based on State agency performance in placing participants into E&T programs. Additional funds will be spent by State agencies and matched by the Federal Government to administer E&T programs.

Other Program Costs. In addition to State administrative and E&T expenses, other program costs borne by the Federal Government include:

(1) the printing and transporting of stamps to authorized State agencies;

(2) processing and destruction of redeemed stamps by Federal Reserve Banks;

(3) the computer support systems;

(4) the cost of certifying Supplemental Security Income/Social Security recipients for participation in the Food Stamp Program by the district offices of the Social Security Administration;

(5) the printing of food stamp redemption certificates;

(6) the bank monitoring system;

(7) printed materials other than stamps to help families living in poverty or near poverty to achieve adequate diets;

(8) the cost of research, evaluation and demonstration projects authorized under Section 17 of the Food Stamp Act of 1977;

(9) as a part of continuing management improvement initiatives, funds are used to promote the sharing of information between State agencies through State exchange funds; and

(10) the cost of expediting the litigation claims arising from the Quality Control System.

State/Federal Responsibilities. The Food Stamp Program is a Federal-State partnership in which the States administer the program at the service delivery level. Households apply for food stamps at their local State welfare offices. State workers use uniform nationwide rules promulgated by the Food and Nutrition Service (FNS) to determine and certify which households are eligible, to calculate the size of each household's allotment, and to monitor and recertify recipient eligibility. Food stamps are typically dispensed on a monthly basis through local banks or the mail. In Fiscal Year 1990 States will receive $1.2 billion in Federal funds to defray State administrative costs.

The Food Security Act of 1985 requires that each State have an E&T program to help able-bodied individuals in food stamp households gain skills and experience that will help them obtain regular employment.

The Quality Control System encourages payment accuracy by establishing fiscal incentives based on State performance in benefit determinations. State agencies with high error rates are assessed liabilities, while enhanced administrative funding is provided to States with low error rates.

FNS funds 100 percent of the cost of food stamps redeemed. FNS also funds over 50 percent of State administrative costs for the program. FNS is responsible for authorizing and monitoring stores participating in the program. Over 220,000 stores are authorized to redeem food stamps. After recipients use their food stamps to purchase food at stores, the stores redeem the stamps at banks. The banks, in turn, redeem the stamps at their regional Federal Reserve Bank, and the Federal Reserve Bank seeks reimbursement from the FNS appropriation directly from the U.S. Treasury. FNS also monitors the redemption process on an ongoing basis.

NUTRITION ASSISTANCE FOR PUERTO RICO

Overview of Program Development. Authorized by section 116(a) of the Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35), a grant for nutrition assistance to Puerto Rico was implemented July 1, 1982. The Food Security Act of 1985 (P.L. 99-198), enacted December 23, 1985, reauthorized appropriations through Fiscal Year 1990.

Eligibility. This grant, which replaced the Food Stamp Program in Puerto Rico, gives the Commonwealth broad flexibility to establish a food assistance program that is specifically tailored to the needs of its low-income households. In Fiscal Year 1990, Puerto Rico will continue its system of providing cash benefits to households which meet eligibility standards of the Nutrition Assistance Program. These eligibility standards are similar to those of the Food Stamp Program.

Benefits. Cash grants are provided to low income households to help them purchase food for an adequate diet. In addition to the provision of direct benefits to the needy, a portion of the grant may be used to fund up to 50 percent of the costs of administering the program. The grant may also be used to fund projects to improve agriculture and food distribution in Puerto Rico. One project related to tick eradication was funded during Fiscal Year 1989 and it will continue to be funded during Fiscal Year 1990.

State/Federal Responsibilities. The Commonwealth must submit its annual plan of operation to the Secretary for approval. FNS provides a grant award to the Commonwealth to operate the program in accordance with its approved plan. The grant is intended to cover 100 percent of the cost of program benefits, 50 percent of the cost of administrative expenses and support for approved special projects.

JUSTIFICATION OF INCREASES AND DECREASES

(1) An increase of $723,000,000 in the appropriation for Benefit Costs ($13,401,272,000 available in 1990) consisting of:

(a) An increase of $769,958,000 for properly issued benefits ($12,463,187,000 available in 1990).

Need for Change. For Fiscal Year 1991, the scheduled increase in the value of the TFP, as well as the increase in the maximum benefit level to 103.00

of the TFP, will result in an increase in benefits for all households. Program participation is expected to decrease slightly from 19.3 million in Fiscal Year 1990 to 19.2 million in Fiscal Year 1991.

Nature of Change. A comparison of key program workload and cost indicators for Fiscal Years 1989 through 1991 is presented below:

	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
Average participation (000)	18,821	19,306	19,214
Average unemployment rate (percent)	5.25	5.48	5.43
Thrifty Food Plan	$298.00	$325.00	$334.00
Maximum Benefit (family of 4)	$300.00	$331.00	$344.00
Average benefit per person per month	$51.89	$58.84	$61.30

(b) An increase of $23,042,000 for erroneous benefits ($938,089,000 available in 1990).

Need for change. The error rate, which will be applied to a higher base level each year as a result of increases in the maximum benefit value, is projected to decline from 7.0 percent in Fiscal Year 1990 to 6.8 percent in Fiscal Year 1991.

Nature of change. A comparison of error rates and erroneous benefits follows:

	FY 1989	FY 1990 Estimate	FY 1991 Estimate
Amount of erroneous benefits ($ millions)	$836	$938	$961
Error rate	.0720	.0700	.0680

(2) An increase of $64,619,000 in the appropriation for State Administrative Costs ($1,165,603,000 available in 1990).

Need for Change. Based on the most recent economic projections, moderate rates of inflation between 1990 and 1991 are expected to increase the cost of providing food stamp benefits.

Nature of Change. This increase reflects the application of a projected rate of inflation of 5.4 percent to the Fiscal Year 1990 base level for costs shared by State and local agencies and the Federal Government. The increase also includes an additional $8 million budgeted for incentive payments to States.

(3) An increase of $4,016,000 in the appropriation for the E&T Program ($149,378,000 available in 1990).

Need for Change. The increase of $4,016,000 is necessary to provide for the matching funds for participant reimbursements and State administrative costs to carry out the E&T Program.

Nature of Change. Public Law 99-195 mandates the Secretary to allocate funds among the States to carry out the E&T Program. This level of funding will enable the Department to provide States $75 million authorized for the basic level and additional matching funds for participant reimbursement and State administrative costs to assist them in providing E&T services.

(4) A net increase of $5,457,000 in the appropriation for Other Program Costs ($53,332,000 available in Fiscal Year 1990).

(a) An increase of $1,094,000 in the appropriation for the printing of stamps ($18,442,000 available in Fiscal Year 1990).

(b) An increase of $173,000 in the appropriation for the shipping of stamps ($2,900,000 available in Fiscal Year 1990).

(c) A increase of $2,395,000 in the appropriation for the processing of redeemed stamps ($16,502,000 available in Fiscal Year 1990).

(d) An decrease of $227,000 in the appropriation for the cost of computer support systems ($3,188,000 available in Fiscal Year 1990).

(e) An increase of $35,000 in the appropriation for the cost of certification of Supplemental Security Income recipients for food stamps ($2,874,000 available in Fiscal Year 1990).

(f) An increase of $508,000 in the appropriation for the cost of printing redemption certificates ($492,000 available in Fiscal Year 1990). The estimates reflect the results of recent contract negotiations and the anticipated cost of micr-encoding redemption certificates.

(g) An increase of $15,000 in the appropriation for the cost of the bank monitoring system ($261,000 available in Fiscal Year 1990).

(h) An increase of $43,000 in the appropriation for printing other than stamps ($715,000 available in Fiscal Year 1990).

(i) An increase of $1,408,000 in the appropriation for research, evaluation and demonstration projects ($7,592,000 available in Fiscal Year 1990).

(j) An increase of $10,000 in the appropriation for State exchange projects ($169,000 available in Fiscal Year 1990).

(k) An increase of $3,000 in the appropriation for Quality Control litigation costs ($197,000 available in Fiscal Year 1990).

Need for Change. Increases in other program costs are attributed to the moderate rates of inflation projected between 1990 and 1991.

(5) A decrease of $936,750,000 resulting from the replacement of the Nutrition Assistance to Puerto Rico Grant by the account Fiscal Assistance to Puerto Rico in the Department of Health and Human Services.

(6) An increase of $500,000,000 in unobligated balances lapsing as a contingency forbenefit payments not anticipated in budget estimates.

Need for Change. The additional $500 million will ensure the availability of sufficient funds and avoid the need for supplemental appropriations or benefit reductions if actual benefit requirements exceed preliminary budget estimates.

(7) A decrease of $100,000,000 resulting from collections for State error liabilities.

FOOD STAMP PROGRAM
Summary of Proposed Legislation

SUMMARY OF INCREASES AND DECREASES - PROPOSED LEGISLATION

	1991		
	Current Law	Program Change	President's Request
Benefits	$14,634,276,000	-$50,000,000	$14,584,276,[illegible]00
Employment and Training.............	153,394,000	- 20,000,000	133,394,[illegible]0
Total available	$14,787,670,000	-$70,000,000	$14,717,670,000

Explanation of Proposed Legislation

Child Support Enforcement: This proposal would require that food stamp households cooperate with the State Child Support Enforcement Agency in establishing and/or enforcing a support award. This proposal would only apply to food stamp households containing children and in which a parent is absent. Custodial parents must cooperate to be considered eligible to participate in the program; their dependent children would be eligible whether or not the custodial parent cooperates. Child support collected and forwarded to the household would be treated as income in determining eligibility and the amount of food stamps to be provided. This proposal will increase family income enough to save $50 million in Fiscal Year 1991.

E&T Program Operational Funding: This proposal would limit to $12.50 matchable State operational expenditures on a per-month, per-participant basis. This proposal will save $20 million in Fiscal Year 1991.

FOOD STAMP PROGRAM

STATUS OF PROGRAM

The Food Stamp Program (FSP) supplements the food purchasing power of low income households by issuing coupons redeemable for food at retail stores. In addition to benefit costs, the food stamp appropriation provides for State administrative costs, and other program costs such as printing and distribution of food stamps and funds for grants to States for Employment and Training Program activities.

Fiscal Year 1989 saw the continuation of the major efforts to improve the management of the Food Stamp Program. Attention remained focused on reducing Federal costs through improving program management and decreasing the instances of error, fraud, and abuse in the program while continuing to respond to the needs of low income persons, in terms of both benefits and service. These program management improvements were the product of numerous administrative actions taken by the Food and Nutrition Service (FNS). Increased emphasis was also placed on the Employment and Training Program to assist food stamp recipients to become more independent.

Program Participation

Participation during Fiscal Year 1989 averaged 18.77 million persons per month. Total benefit costs for Fiscal Year 1989 were $11.7 billion for an average monthly benefit of $51.89 per person. In Fiscal Year 1988, monthly participation averaged 18.65 million persons and monthly benefits averaged $49.83 per person. Monthly unemployment averaged 5.7 percent in Fiscal Year 1988 and fell to 5.3 percent in Fiscal Year 1989.

Characteristics of Food Stamp Households

The Food Stamp Program serves the nation's most needy households.

The following information is derived from the recently released Summer 1987 Characteristics of Food Stamp Households report.

- The average household size is 2.7 persons.

- The average gross monthly income per food stamp household is $426 (the annual equivalent of $5,112); the average net income is $239 a month — $2,868 a year.

- 6 percent of households have zero gross income and 18 percent have zero net income.

- 54 percent of all households have gross incomes of less than $400 per month (the annual equivalent of $4,800).

- 76 percent own no countable assets.

- 19 percent own countable assets of $500 or less.

- Average countable assets per household were $79, but for households with elderly members the average was $182.

- Approximately 51 percent of food stamp recipients are children, while 8 percent are elderly.

- Food stamp recipients who are able to work are doing so or are meeting the program's work requirements in other ways.

- 92 percent of all participants are exempt from food stamp work requirements. Over half of exempt participants are children. Most others are elderly, disabled, or responsible for the care of a child or incapacitated person.

- 4 percent of participants are employed full time (10 percent of non-elderly adult participants); 20 percent of households had earned income.

- 19 percent of non-elderly adult participants are registered for work through the Food Stamp Program; 23 percent are covered by the work requirements of other programs such as Aid to Families with Dependent Children and Unemployment Compensation Program.

Significant Regulations and Notices Issued in Fiscal Year 1989

Food Stamp Allotment and Deduction Updates - On November 3, 1988, the Department announced in a notice the maximum amount of food stamps which participating households could receive for the period October 1, 1988 to September 30, 1989. The maximum allotment for a four-person household increased from $290 to $300 in the 48 States and D.C. The allotments were based on the cost of the Thrifty Food Plan increased by 0.65 percent in accordance with the Hunger Prevention Act of 1988 (HPA) (P.L. 100-435; approved September 19, 1988). The Department also announced the new standard deduction and the new shelter deduction cap amounts for all areas. The standard and shelter deduction increases were based on certain changes in the Consumer Price Index for all urban consumers. The standard deduction increased from $102 to $106. The shelter deduction cap increased from $164 to $170.

A memorandum was issued July 28, 1989 to State agencies informing them of the maximum amount of food stamps which participating households could receive for the period October 1, 1989 - September 30, 1990. The maximum allotment for a four-person household in the 48 States and Washington, DC increased to $331. The allotments were based on the cost of the Thrifty Food Plan increased by 2.05 percent in accordance with the HPA. The memorandum also announced that the standard deduction would increase to $112 and the shelter deduction cap would increase to $177 on October 1, 1989.

Pre-release Applications from Residents of Institutions - This final rule, published on January 30, 1989, implements a provision of the Anti-Drug Abuse Act of 1986. The provision allows certain individuals in public institutions applying for Supplemental Security Income (SSI) the opportunity to also apply for Food Stamp Program benefits by completing a single application for both programs before they are released from the institutions.

Income Exclusion of Certain Charitable Contributions - This final rule, published on May 9, 1989, finalized an interim rule which amended Food Stamp Program Regulations as a result of the Charitable Assistance and Food Bank Act of 1987. In accordance with that Act, this rule excludes from consideration as income cash donations received by food stamp households. This provision was applicable for eligibility and benefit determinations made on or after February 1, 1988.

Striker Provisions - This Notice, published on October 6, 1988, rescinds the March 31, 1987 Notice based on a U.S. District Court order which enjoined the Secretary of Agriculture from enforcing striker provisions in Section (6)(d)(3) of the Food Stamp Act of 1977 and 7 CFR 273.1(g) of the Food Stamp Regulations. The Notice states the Supreme Court reversed the findings of the District Court and upheld the striker provision of the Food Stamp Act and Food Stamp Regulations. The action was effective April 22, 1988.

Systematic Alien Verification for Entitlement (SAVE) - This interim rule was published on October 7, 1988 to implement Section 121 of the Immigration Reform and Control Act (IRCA). This rule establishes procedures which State agencies must use to implement and operate the SAVE program and specifies provisions for Federal reimbursement of SAVE expenditures. This rule also implements one non-discretionary provision of IRCA which requires all household members to attest to their citizenship or alien status under penalty of perjury. This rule was effective on the date of publication, October 7, 1988.

Categorical Eligibility - This rule, published June 7, 1989, puts in final form an interim rule, published August 8, 1988, which implemented the categorical eligibility provision contained in the Food Security Act of 1985. The rule finalizes the provision that households that only contain members who are recipients of Aid to Families with Dependent Children, SSI, or aid to the aged, blind, or disabled under Titles I, X, XIV, or XVI of the Social Security Act be categorically eligible for food stamp benefits. The provisions of the August 5, 1988, interim rule are no longer subject to an expiration date of September 30, 1989. This expiration date was eliminated by the Hunger Prevention Act of 1988.

Administrative Improvement and Simplification Provisions from the HPA - This interim rule, published on June 7, 1989, implements certain provisions of the HPA which simplify certain application procedures in the program and improves the administration of the Food Stamp Program. Implementation of the various provisions of this rule is retroactive to January 1, 1989. The provisions of the rule must be implemented by State agencies no later than January 1, 1990.

Disaster Assistance Act, Nondiscretionary Provisions of the HPA, and Technical Corrections - This final rule, published on June 6, 1989, contains final regulations pertaining to the Disaster Assistance Act of 1988, several nondiscretionary provisions of the HPA, and some technical corrections. The effect of these changes is to increase food stamp participation for some households. Implementation dates varied for the different provisions of this rule based on the requirements of the two laws.

Quality Control Arbitration Process Technical Amendment - On June 5, 1989, the Department issued a final rule to limit arbitration of disputes between the Federal findings and State agency findings. In effect, the rule limits the scope of arbitration to the issue or issues in dispute between the State agency and the Food and Nutrition Service (FNS) regional office concerning the quality control case findings. If the arbitrator finds any mathematical errors in the computation sheet, he or she shall correct the mathematical error and adjust the allotment amount. The final rule, which went into effect July 5, 1989, will permit the Department to enhance the efficiency of the quality control arbitration process.

Quality Control Variance Exclusions - In accordance with provisions of the HPA, the Food Stamp Program must exclude from the quality control payment error rate three types of errors: (1) errors resulting from application of new regulations during the first 60 or 90 days from the date of implementation, (2) errors resulting from incorrect information received from any Federal source if correctly processed and (3) errors resulting from use by a State agency of incorrect, written policy information approved by the Secretary or his designee. This rule was published on November 2, 1988 and was effective October 1, 1988.

Comprehensive Review of Issuance Procedures - On February 15, 1989, in final rulemaking, the Department published a reorganization and rewrite of the Food Stamp Program's issuance regulations. Comments from nearly every State agency were considered. The regulations simplified the requirements for the replacement of lost, stolen, or destroyed food stamp benefits to certified households; more clearly defined liabilities related to the transportation, storage and issuance of coupons; and provided for increased accuracy in accountability for newly-developed and future issuance systems. The revised issuance provisions have been consolidated in one part of the regulations, and issuance reporting forms used by State agencies have been redesigned to make them more easily understood and completed.

Employment and Training Requirements - Process-Based Performance Funding - This final rule was published June 9, 1989. The rule establishes a process-based performance measure and allocation method to distribute $15 million in Employment and Training (E&T) grant funds to State agencies for operation of their food stamp E&T programs, beginning in Fiscal Year 1990. The allocation method finalized in this rule is intended to provide financial incentives (a share of the additional $15 million E&T Federal funding) for State agencies to operate effective E&T programs.

Civil Money Penalty for Trafficking - On May 2, 1989 an interim final rule was published implementing recent statutory changes embodied in the Hunger Prevention Act of 1988 and the Technical Correction to the Hunger Prevention Act of 1988 (P.L.100-435 and P.L.100-619) which provide the Secretary of Agriculture with the discretion to impose a civil money penalty (CMP) of up to $20,000 in lieu of permanent disqualification for trafficking by retail food stores or wholesale food concerns. In accordance with the statutes, this discretionary authority may be utilized if the Secretary determines that there is substantial evidence that such firms had an "effective policy and program in effect to prevent violations." This change was effective October 1, 1988. The rulemaking establishes criteria for the eligibility of a firm for a trafficking CMP and sets forth standards that shall be utilized by the Department to determine the effectiveness of a firm's compliance policy and program.

Implementing Memoranda - To meet legislatively mandated dates, several memoranda were issued in Fiscal Year 1989 to implement certain legislative changes or changes resulting from court suits prior to publication of a regulation. These are as follows:

- A memorandum was issued October 20, 1988 to inform State agencies of a policy change relative to the treatment of foster children and foster care payments. These changes were the result of Circuit Court decisions involving cases in Minnesota. Foster children are to be considered boarders and foster care payments must be excluded from consideration as income to the household providing the foster care. (Most households will continue to have the option to treat the foster children as household members.) State agencies had to implement this policy change no later than February 1, 1989.

- A memorandum was issued on December 22, 1988 to inform State agencies of a revised procedure relative to the treatment of advance payments of earned income tax credits (EITC). This revision resulted from the Hunger Prevention Act of 1988. Under the revised procedure, advance EITC payments will not be counted as income for food stamp purposes. The amount of the EITC payment will be counted toward the household's resources just as EITC payments made as tax refunds are. The provision was effective January 1, 1989.

- Memoranda were issued on July 17, 1989, and August 21, 1989, addressing issues related to the Computer Matching and Privacy Act of 1988. These memoranda covered the areas of matching agreements, effective dates, what data bases are covered and the requirement for a 30-day notice of adverse action when the action is the result of a computer match. Originally, implementation was scheduled for July 1989 - this was amended by legislation which provided for a January 1, 1990, implementation.

- A memorandum was issued May 26, 1989, to remind State agencies of a provision of the Hunger Prevention Act of 1988 (Public Law 100-435) that requires the State agencies to reimburse participants in the Food Stamp Employment and Training Program up to $160 per dependent per month for the actual cost of all necessary dependent care expenses incurred while fulfilling an E&T obligation. The State agencies were previously informed of this change in a February 15, 1989, memorandum. The provision was effective July 1, 1989.

Waivers

In Fiscal Year 1989, requests for waivers of regulatory provisions continued to decrease, from 97 to 76. Of these requests, 14 were conditionally approved, 41 were unconditionally approved and 21 were denied.

Court Suit Activity in the Food Stamp Program

During Fiscal Year 1989, 38 court suits were filed against the Food Stamp Program. Twelve of these court suits were filed against USDA. There are presently 279 active cases, excluding quality control (QC) suits. Major issues involved in litigation during the year were clothing allowances for children, HUD utility payments, claims and the treatment of special public assistance and general assistance payments.

Litigation continues on the issue of the quality control system and the resultant sanctions. The following is a list of pending cases.

QC COURT SUIT STATUS CHART

Date Suit Filed	Sanction Amount	Sanction Period	State
7/11/86	$668,221	Oct 81-Mar 82	Oregon
7/18/86	$1,368,893	Apr-Sep 82	Massachusetts
6/12/87	$1,000,445	FY 83	Colorado
4/5/89	$1,088,471	FY 84	New Jersey

In addition on December 30, 1989, the firm of Covington and Burling brought a suit related to a Fiscal Year 1983 billing against Utah that is currently pending before the State Food Stamp Appeals Board. The suit is awaiting a court decision on the propriety of withholding information under the Freedom of Information Act.

Program Management Information Initiatives

The Food Stamp Program continued the joint Federal-State effort begun in 1983 to reduce errors and fraud and to increase program efficiency. The focus of the effort is to coordinate the exchange of information among States and provide technical assistance. In Fiscal Year 1989, the following efforts were pursued in support of local level management improvement initiatives:

FNS supported a broad range of management initiatives by its regional offices and State cooperating agencies. These initiatives included conferences sponsored by FNS regional offices and State agencies on topics in the areas of the Employment and Training Program, management evaluations, fraud detection and prevention, and error reduction. In addition, the national and regional office staff participated in a number of public interest group meetings.

The State Exchange Project, an important component of the management improvement initiative, is based on the premise that State and local cooperating agencies can often best solve their problems by sharing in the expertise of other State and local agencies. State Exchange funding was first provided in 1983 to reimburse State agency officials for the costs of visiting another State agency with known expertise in a particular area. In Fiscal Year 1989, $165,000 in State Exchange funding was allocated for State agencies.

Information sharing has been enhanced with State-to-State and the Catalog of Program Improvement Activities. During Fiscal Year 1989, the national office distributed one edition of State-to-State, a newsletter that describes State and local efforts to increase program efficiency. Each article lists a resource person who can be contacted for additional information. The newsletter is circulated to over 8,000 individuals in local welfare offices, State agencies and cooperating organizations across the country. The Fiscal Year 1989 edition focused on the Employment and Training Program and highlighted innovative ideas and successful strategies States have used to improve their programs.

The Catalog of Program Improvement Activities is a compendium of approximately 300 food stamp management activities that are taking place in local, State and Federal governments. It is updated annually, organized by subject, and is sent to State agencies, local program offices and others upon request. The catalog issued in Fiscal Year 1989 contained 26 sections on subjects which include front-end prevention, mail issuance, investigation/prosecutions, recipient claims, video tapes, and the Employment and Training Program.

Demonstration Projects Using Electronic Benefit Transfer (EBT) Technology

In September 1988 the Department selected four sites through a competitive solicitation process - Washington, Minnesota, New Mexico, and Arizona - for demonstration projects utilizing electronic benefit transfer at point of sale. FNS is providing enhanced funding to each site through the implementation phase of the project. (Arizona withdrew this year due to other priorities.) These projects will operate under the authority of Subsections 17(a) and (b) of the Food Stamp Act of 1977 (7 U.S.C. 2026(a) and (b)). The demonstrations will provide further knowledge of the impact of electronic issuance technologies on the food stamp issuance, redemption and reconciliation process. They are an outgrowth of the EBT demonstration being conducted in Reading, Pennsylvania. These demonstration projects focus on shared systems with private vendors and multi-benefit account cards. These projects will all use on-line systems, with benefit information stored in central computer files. They are scheduled for implementation during the first half of calendar year 1990.

FNS issued guidelines in the summer of 1988 to allow additional sites to test on-line EBT. Additional sites will receive no enhanced funding for their projects. To date, Maryland, Pennsylvania, New Jersey, and Iowa have submitted proposals. Maryland implemented its project in November 1989.

The Department released a request for proposal in June 1989 for an off-line EBT demonstration project. In the off-line system, benefit information will be stored in the account cards themselves. Proposals have been received and a vendor and project site should be selected by early 1990. This demonstration will test the feasibility of off-line technology as another alternative issuance system.

Simplified Application and Standardized Benefits Projects

In the Food Security Act of 1985, Congress authorized the use of simplified application and standardized benefit procedures in a maximum of five States and five political subdivisions. Final regulations were published on July 12, 1988, and Work Plans were submitted in response to a Notice of Intent which was published simultaneously with the final regulations. We are currently negotiating with prospective sites on various issues, the most prominent being their benefit determination methodology.

Cooperation with the Low Income Opportunity Board on Welfare Reform Demonstration Projects

The Assistant Secretary for Food and Consumer Services serves as USDA's representative on the White House Low Income Opportunity Board. The Board is the focal point within the Federal Government for coordinating policies to aid low-income individuals and to encourage and facilitate State welfare reform demonstration projects. Welfare reform demonstration proposals accepted by the Board have been required to meet certain criteria: i.e., projects must (1) decrease dependency, (2) be budget neutral to the Federal Government, and (3) provide for a sound evaluation.

Fourteen States have submitted proposals to the Low Income Opportunity Board for welfare reform demonstration projects requiring food stamp waivers. The authority to conduct demonstration projects designed to test program changes that might increase the efficiency of the program and improve the delivery of food stamp benefits is limited to projects that do not restrict eligibility or reduce benefits. Exceptions can be made in the case of projects that pay the average value of allotments by household size in the form of cash

In Fiscal Year 1989, demonstration operations began in Washington State, Ohio, New York, West Virginia, and Maryland. Alabama is scheduled to implement its demonstration in early 1990. Proposals submitted by three other States are currently pending. Popular themes for food stamp waivers have included enhanced work programs and requirements, program simplification and conformity with AFDC, and food stamp cash-out.

A proposal to operate a food stamp cash-out demonstration project was initially submitted to the Low Income Opportunity Board by San Diego County, California. The county withdrew the proposal as a welfare reform project, and obtained FNS approval for the project under section 17 as a demonstration to operate for a four-year period beginning in July 1989.

Anti-fraud Funding for State Agencies

In Fiscal Year 1989, FNS budgeted $65.7 million for State agencies for anti-fraud activity. Anti-fraud funding is designed to cover 75 percent of State agencies' costs in the area of investigation and prosecution of fraud cases and the collection of fraud claims. In Fiscal Year 1989, we continue to have 50 State agencies approved for 75 percent enhanced funding. Of these, 43 now have agreements with State or local prosecutors to facilitate the prosecution of cases and the imposition of food stamp disqualifications. During Fiscal Year 1988, the last year for which we have complete data, approximately 30,000 persons were disqualified from the program as a result of prosecutions, and 46,000 were disqualified through administrative hearings.

Collection of Claims Against Recipients

State agencies are required to establish claims against households which receive more benefits than they are entitled to receive. Two categories of claims cover household failure to report information about their circumstances. These categories are intentional program violation (IPV) and inadvertent household error claims. A third category of claims covers State agency administrative errors. As an incentive for collecting claims, State agencies can retain 50 percent of collections of IPV claims and 25 percent of collections of inadvertent household error claims.

During Fiscal Year 1988 the Agency concentrated on improving State agency reporting of claims activities and improving the accuracy of categorizing claims. This latter effort resulted in a significant and proportional adjustment in the numbers of IPV and household error claims reported.

During Fiscal Year 1988 State agencies collected more than $71 million in recipient claims, an increase of more than 16 percent over Fiscal Year 1987.

Error Rate Liability System and Enhanced Funding

The payment error rate, which combines overpayments and under payments, was 9.95 percent for Fiscal Year 1988. This was down from 10.25 percent in Fiscal Year 1987 and the lowest error rate ever.

During Fiscal Year 1988, two State agencies qualified for approximately $1.0 million in enhanced funding made available by statute because they achieved low error rates.

The Hunger Prevention Act of 1988 affected the Food Stamp Program's quality control system. Among the provisions contained in the Act are revisions in the definition of payment error, changes in error rate tolerances, and changes in the method used to calculate the claims against States that exceed error rate tolerances. The legislation makes these changes retroactive to Fiscal Year 1986.

Using methods currently available, FNS has developed estimates for Fiscal Years 1986, 1987 and 1988 of the new error rates, tolerances and claims for each of the States. Under these estimates, fourteen States will face claims totalling $45.8 million for Fiscal Year 1986, ten States will face claims totalling $42.3 million for Fiscal Year 1987, and nine States will face claims totalling $35.7 million for Fiscal Year 1988.

Employment and Training Program

The Food Security Act of 1985, P.L. 99-198, required all State agencies to establish an Employment and Training (E&T) Program for food stamp work registrants and others who may volunteer to participate. The intent of the E&T Program, as stated in the legislation is to "assist members of households participating in the Food Stamp Program in gaining skills, training or experience that will increase their ability to obtain regular employment." As directed by Congress, the food stamp E&T Program began on April 1, 1987.

Since the inception of E&T, there have been three categories of Federal funding. In Fiscal Year 1989, the following amounts were provided in each category: (1) The State agencies were allotted 100 percent federally funded grants of $73 million. (2) Additional Federal funding of $38 million was allocated to match additional administrative costs the States expected to incur. (3) The amount allotted for the Federal share of the cost of reimbursing participants for expenses incurred in fulfilling their E&T obligations totalled $16 million. In July 1989, the Federal Government began reimbursing State agencies for 50 percent of participants' costs for dependent care (up to $160 a month per dependent or $80 from the Federal Government). This dependent care reimbursement funding is included in the $16 million.

In Fiscal Year 1989, the State agencies planned to serve 1.3 million non-exempt work registrants and 105,000 volunteers. Reports through June 30, 1989 indicated that actual numbers will exceed those planned.

Workfare

Workfare programs require able-bodied recipients to perform public service jobs in exchange for their food stamp allotments. At the end of Fiscal Year 1988, 14 communities were operating an Optional Workfare Program. The following chart displays workfare operations for Fiscal Year 1988 for the sites which were in operation during this time period:

Workfare Site	Individuals Assigned to Jobs	Hours Worked	Sanctions Applied	Administrative Costs to Federal Government Fiscal Year 1988
ARKANSAS				
Benton County	155	3,602	26	$47,583
Lonoke County	483	13,389	19	-
Polk County	326	11,365	13	-
Scott County	484	6,328	37	-
Stone County	56	1,414	-	-
FLORIDA				
City of Pensacola	2,311	41,895	184	89,580
NORTH CAROLINA				
Alamance County	42	5,460	28	-
Ashe County	40	8,176	0	-
Catawba County	34	4,786	97	-
Mitchell County	15	4,561	7	-
Moore County	66	5,249	28	-
Surry County	82	13,447	56	-
SOUTH CAROLINA				69,589
Berkeley County	510	11,465	190	-
Greenville County	621	17,404	316	-
WISCONSIN				44,746
Florence County	299	5,612	15	-
TOTAL	**5,524**	**154,153**	**1,016**	**$251,498**

Compliance Branch Investigative Activity

During Fiscal Year 1989, the Compliance Branch implemented a major shift in policy direction. Rather than concentrating on conducting the greatest number of investigations possible, investigators focused on contacting law enforcement, regulatory and program officials in communities across the country to develop investigative leads on stores known by the community to be violating program regulations. Although implemented nearly half-way into the fiscal year, over 600 documented contacts were made. In addition to providing sources for investigations, such contacts increase the Federal presence within the communities and help demonstrate for the public the Department's commitment to retailer compliance with the Food Stamp Program's requirements.

In addition, the Branch also determined to devote greater time to more fully develop stronger cases when investigations are positive. More attempts are made to purchase ineligible items, more ineligibles are purchased, and a greater emphasis has been given to investigating the exchange of food stamps for cash (trafficking). The ratio of stores found trafficking to all stores investigated increased 72 percent (from 2.5 percent to 4.3 percent).

During Fiscal Year 1989, 6,474 stores were investigated by the Compliance Branch. This represents a decrease of almost 25 percent from the number of stores investigated in Fiscal Year 1988. Part of that decrease resulted from a 9 percent reduction in the number of investigator staff years employed during each year (42.4 versus 46.6). The remainder is attributed to the decisions described above to concentrate more on the quality of cases rather than the quantity.

Of those stores investigated, 3,145 or 48.6 percent revealed violations of Food Stamp Program regulations. Violations serious enough to warrant disqualification or other sanction actions by FNS were noted in 1,888 stores, or 29.2 percent of the total investigated.

NUTRITION ASSISTANCE FOR PUERTO RICO

As required by P.L. 97-35, the Omnibus Budget Reconciliation Act of 1981, the Food Stamp Program in the Commonwealth of Puerto Rico was replaced with a block grant effective July 1, 1982.

For Fiscal Year 1989, $908.25 million in grant funds were provided to Puerto Rico. The Nutrition Assistance Program served an average of 1.45 million persons per month. Total benefit costs were budgeted by Puerto Rico at $873.21 million, or about $50.12 per person per month. Administrative costs were budgeted at $25.46 million, or $1.46 per person, for a total program cost per person of $51.58. One special project, tick eradication, was budgeted at a cost of $9.58 million. The objective of the Tick Eradication Project is to carry out appropriate treatment and control activities directed toward the enhancement of livestock productivity through the island-wide eradication of ticks.

Selected Examples of Recent Progress:

Puerto Rico submits its proposed annual budget plan in July for the fiscal year beginning on the following October 1. That plan identifies the costs of benefits, administration and other projects. Actual costs of these components for 1987 and 1988 and projections for 1989 as contained in the approved budget plan for 1989 are as follows:

	1987 Actual	1988 Actual	1989 Current Estimate
		($ in thousands)	
Benefits costs	$818,733	$845,028	$873,210
Administrative costs	24,440	25,622	25,460
Cattle Tick Eradication Project ..	7,957	8,600	9,580
Total, Federal funds	851,130	879,250	908,250
State Administrative costs	24,440	25,622	25,460
Total program costs	875,570	904,872	933,710

From its inception, the Food Stamp Program in Puerto Rico served a much higher proportion of total population than was true of the U.S. as a whole, due to the significantly lower living standards in Puerto Rico. This continues to be the case under the block grant program: 1.46 million or nearly half of Puerto Rico's total population participated in the program in 1987, compared with 19.1 million or 7.8% of the total U.S. population in 1987. Monthly participation and benefits for 1987, 1988 and 1989 are as follows:

	1987 Actual	1988 Actual	1989 Current Estimate
Average number of persons (millions)	1.47	1.45	1.45
Average number of households	427,152	436,211	457,298
Average household size	3.4	3.3	3.2
Average benefits per household	$159.40	$160.89	158.67

In Fiscal Year 1989 Puerto Rico spent $25.5 million of Federal money on administrative activities, and an equivalent amount of State funds since there is a 50:50 matching requirement.

Federal Responsibilities. FNS provides funds intended to cover 100 percent of the benefit costs and 50 percent of the administrative costs of the program as appropriated by Congress. FNS must review and approve the Commonwealth's annual plan and monitor program operations to assure program integrity, etc.

FOOD STAMP PROGRAM
SUMMARY OF BENEFIT COSTS, PARTICIPATION AND STATE ADMINISTRATIVE FUNDING

FISCAL YEAR 1989

STATE OF TERRITORY	AVERAGE PARTICIPATION IN THOUSANDS		BENEFIT VALUE OF STAMPS ISSUED (000)	AVERAGE MONTHLY BENEFIT PER PERSON	STATE ADMINISTRATIVE FUNDING (000)
	PERSONS	HOUSEHOLDS			
Alabama	436	157	$276,045	$52.82	$21,905
Alaska	26	9	24,060	76.71	4,771
Arizona	264	90	176,485	55.72	19,209
Arkansas	227	83	130,440	47.82	10,730
California	1,773	624	751,334	35.31	122,287
Colorado	211	82	133,028	52.46	9,574
Connecticut	114	43	52,513	38.54	9,358
Delaware	30	11	18,843	52.83	2,518
District of Columbia	58	25	35,509	50.62	5,638
Florida	668	261	454,868	56.75	38,894
Georgia	485	181	301,847	51.81	38,288
Hawaii	78	31	74,097	79.05	5,322
Idaho	61	21	36,549	49.78	3,348
Illinois	990	402	729,312	61.42	45,502
Indiana	285	100	184,775	54.00	15,756
Iowa	168	67	97,089	48.15	10,188
Kansas	128	49	79,816	51.97	6,398
Kentucky	447	161	300,031	55.99	21,674
Louisiana	725	245	484,489	55.71	19,819
Maine	84	37	48,017	47.45	4,533
Maryland	249	106	175,874	58.90	18,269
Massachusetts	314	136	153,729	40.73	21,028
Michigan	874	363	536,995	51.19	34,930
Minnesota	245	98	131,408	44.65	13,722
Mississippi	493	172	318,760	53.89	15,438
Missouri	404	153	255,022	52.56	19,953
Montana	56	21	35,528	53.01	4,034
Nebraska	92	36	50,153	45.27	4,375
Nevada	41	19	30,764	61.99	3,024
New Hampshire	22	10	12,084	46.05	1,613
New Jersey	353	137	231,663	54.69	40,539
New Mexico	151	49	99,630	55.16	7,855
New York	1,463	651	930,207	52.97	127,478
North Carolina	390	154	227,496	48.57	25,255
North Dakota	39	14	21,407	46.13	2,202
Ohio	1,068	449	752,600	58.72	39,725
Oklahoma	261	102	159,068	50.83	14,473
Oregon	213	91	150,200	58.70	11,633
Pennsylvania	916	389	553,805	50.37	51,960
Rhode Island	57	25	32,639	47.84	5,223
South Carolina	272	95	171,721	52.60	19,629
South Dakota	50	17	31,276	51.82	3,437
Tennessee	500	193	312,360	52.06	22,385
Texas	1,636	542	1,097,394	55.91	80,140
Utah	95	34	61,233	53.71	4,719
Vermont	34	15	17,402	42.58	2,295
Virginia	333	138	206,418	51.73	23,086
Washington	283	118	168,481	49.59	18,618
West Virginia	259	94	169,187	54.39	6,090
Wisconsin	291	99	156,684	44.90	13,858
Wyoming	27	10	17,592	53.73	2,421
American Samoa	0	0	0	.00	0
Freely Associated States	0	0	0	.00	0
Guam	13	3	14,229	94.29	510
N. Mariana Islands	4	1	2,951	61.48	0
Puerto Rico	0	0	0	.00	0
Virgin Islands	16	4	14,358	73.21	1,577
Anticipated Adjustment					1,369
TOTAL	18,773	7,219	$11,689,441	$51.89	$1,076,574

NOTE: These data are based in part on preliminary data submitted by State and local agencies and are subject to change as revised reports are received. Totals may not add due to rounding.

FOOD STAMP PROGRAM
FIRMS AUTHORIZED TO RECEIVE AND REDEEM FOOD STAMPS

Fiscal Year 1989

STATE OR TERRITORY	RETAILERS	WHOLE-SALERS	MEALS/ WHEELS	COMM DINE	ALCOHOL, DRG TREAT & COMB TREAT	PRIVATE REST	GROUP LIV	HOMELESS MEAL/ BATTERED WOMEN & CHILDREN	TOTAL
Alabama	5,957	5	2	18	12	2	1	0	5,997
Alaska	576	2	1	1	2	0	0	0	582
Arizona	2,241	11	42	33	11	0	0	1	2,339
Arkansas	3,375	8	9	37	8	1	0	0	3,438
California	17,302	48	11	25	107	0	1	8	17,502
Colorado	1,989	7	27	24	6	0	0	4	2,057
Connecticut	1,723	3	12	9	7	0	1	0	1,755
Delaware	584	0	3	3	1	0	0	0	591
District of Columbia	693	2	3	2	3	0	0	0	703
Florida	10,947	32	33	75	36	9	9	4	11,145
Georgia	8,041	1	13	85	7	0	0	2	8,149
Hawaii	1,094	7	2	4	7	17	0	0	1,131
Idaho	922	0	9	12	0	0	0	1	944
Illinois	7,548	6	57	57	7	0	0	6	7,681
Indiana	3,506	7	24	17	4	8	0	3	3,569
Iowa	2,390	0	25	12	0	2	0	3	2,432
Kansas	1,632	2	17	16	7	0	0	0	1,674
Kentucky	5,961	4	4	8	1	0	0	0	5,978
Louisiana	6,863	3	14	51	4	0	0	4	6,939
Maine	2,128	2	11	28	5	1	0	1	2,176
Maryland	3,416	13	17	21	17	0	0	0	3,484
Massachusetts	3,759	4	7	7	14	1	0	0	3,792
Michigan	8,558	6	19	54	11	0	0	0	8,648
Minnesota	3,452	4	55	26	6	0	0	3	3,546
Mississippi	5,832	0	13	18	4	0	0	0	5,867
Missouri	4,278	1	26	66	0	0	0	2	4,373
Montana	920	0	8	28	0	0	0	0	956
Nebraska	1,119	1	1	6	1	0	0	0	1,128
Nevada	505	5	2	11	5	0	0	1	529
New Hampshire	852	3	8	6	2	0	0	0	871
New Jersey	5,728	11	44	43	20	0	3	0	5,849
New Mexico	1,425	2	7	9	1	0	0	0	1,444
New York	14,575	28	96	140	51	226	1	6	15,123
North Carolina	8,149	6	52	86	16	0	1	3	8,313
North Dakota	710	1	38	39	0	0	0	1	789
Ohio	8,117	5	56	66	7	1	0	0	8,252
Oklahoma	3,192	6	9	22	4	0	0	0	3,233
Oregon	2,811	2	14	19	5	3	0	3	2,857
Pennsylvania	11,634	24	117	85	32	0	1	9	11,902
Rhode Island	785	3	3	4	3	0	0	0	798
South Carolina	5,561	0	15	55	12	0	0	3	5,646
South Dakota	768	0	10	15	0	3	0	0	796
Tennessee	6,148	11	16	27	8	0	2	3	6,215
Texas	15,999	28	17	48	22	0	5	17	16,136
Utah	920	8	7	9	11	0	2	0	957
Vermont	763	2	6	1	1	0	0	0	773
Virginia	6,005	6	17	37	21	0	0	2	6,088
Washington	3,757	4	22	42	3	0	0	2	3,830
West Virginia	3,031	0	21	40	0	0	0	2	3,094
Wisconsin	3,036	1	1	6	0	2	0	2	3,048
Wyoming	351	0	4	1	0	1	0	2	359
Guam	197	0	0	1	0	0	0	0	198
Virgin Islands	218	0	1	2	0	0	0	0	221
TOTAL	222,043	335	1,048	1,557	512	277	27	98	225,897

SUMMARY OF QC LIABILITIES AND ENHANCED FUNDING

QC Period	Nat'l Payment Error Rate	Enhanced Funding Number of States	Enhanced Funding Amount Awarded	Liability -- No. of States	Total Initial Liabilities	Liabilities After Waivers/Appeals
Oct 1980 - Mar 1981	8	7	$ 1,388,436	14	$ 16,926,031	$ 0
Apr - Sept 1981	9	8	5,288,070	12	12,256,197	3,722,853
Oct 1981 - Mar 1982	10	6	2,488,142	12	7,992,458	3,021,501
Apr - Sept 1982	9	7	2,700,139	9	6,595,848	1,368,893
FY 1983	8	1	383,252	12	11,219,848	1,612,744
FY 1984	9	2	744,601	36	79,061,083	73,902,293
FY 1985	8	3	1,108,245	48	198,072,759	**
FY 1986	11	3	1,175,006	14	45,848,754	***
FY 1987	11	4	2,173,455	10	42,264,496	***
FY 1988	11	2	985,962	9	35,742,440	***
TOTALS			$ 18,435,308	-	$455,979,914	$ 83,628,284

Total potential liabilities for Fiscal Years 1986 through 1988 have been adjusted to reflect the provisions of the Hunger Prevention Act of 1988 and are pending rulemaking.

** Waiver determinations are pending for liabilities for Fiscal Year 1985.

*** Requests for waivers or appeals of liabilities for Fiscal Years 1986, 1987 and 1988 are pending rulemaking on the applicable provisions of the Hunger Prevention Act of 1988.

October 31, 1989

FOOD AND NUTRITION SERVICE

The estimates include proposed changes in the language of this item as follows (new language underscored; deleted matter enclosed in brackets):

Food Donations Programs for Selected Groups

1 For necessary expenses to carry out section 4(a) of the Agriculture and Consumer Protection Act of 1973 (7 U.S.C. 612c (note)), section 4(b) of the Food Stamp Act (7 U.S.C. 2013), [and] section 311 of the Older Americans Act of 1965, as amended (42 U.S.C. 3030a), [$206,510,000] and section 4(a) of the Agriculture and Consumer Protection Act of 1973 (7 U.S.C. 612c (note)) (CSFP), $287,670,000: Provided, That the funds provided in this Act that are allocated to CSFP shall remain available through September 30, 1992 and shall be the amount appropriated for purposes of determining State administrative grants pursuant to section 5(a) of the Agriculture and Consumer Protection Act.

For necessary expenses to carry out section 110 of the Hunger Prevention Act of 1988, [$40,000,000] $32,000,000.

[Commodity Supplemental Food Program]

2 [For necessary expenses to carry out the commodity supplemental food program as authorized by section 4(a) of the Agriculture and Consumer Protection Act of 1973 (7 U.S.C. 612c (note)), including not less than $8,000,000 for the projects in Detroit, New Orleans, and Des Moines, $65,028,000: Provided, That funds provided herein shall remain available through September 30, 1991: Provided further, That none of these funds shall be available to reimburse the Commodity Credit Corporation for commodities donated to the program.]

The first change adds appropriation language for the Commodity Supplemental Food Program (CSFP), which is proposed for incorporation with this account and adds the amount requested for Fiscal Year 1991.

The second change deletes 1990 appropriation language for CSFP.

FOOD DONATIONS PROGRAMS FOR SELECTED GROUPS

Appropriations Act, 1990		$311,538,000
Budget Estimate, 1991		319,670,000
Increase in Appropriation		+8,132,000
Adjustments in 1990		
Appropriation Act, 1990	$311,538,000	
Gramm-Rudman-Hollings Reduction (P.L. 99-177)	-3,448,000	
Adjusted base for 1990		308,090,000
Budget estimate, Current Law, 1991		319,670,000
Increase over adjusted 1990		+11,580,000

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

Item of Change	1990 Estimated	Program Changes	1991 Estimated
Food Distribution Program on Indian Reservations	$60,140,000	$14,701,000	$74,841,000
Nutrition Program for the Elderly	143,482,000	+6,415,000	149,897,000
Commodities for Soup Kitchens	39,440,000	-7,440,000	32,000,000
Commodity Supplemental Food Program (CSFP)	65,028,000	-2,096,000	62,932,000
Total Available	308,090,000	+11,580,000	319,670,000

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1989 Actual	1990 Estimated	Increase	1991 Estimated
1. Food Distribution Program on Indian Reservations:				
Commodities in lieu of food stamps	$41,758,043	$43,530,000	+$14,481,000	$58,011,000
Payments to distributing agencies for administration	16,095,957	16,610,000	+220,000	16,830,000
Subtotal, Food Distribution Program on Indian Reservations	57,854,000	60,140,000	+14,701,000(1)	74,841,000
2. Nutrition Program for the Elderly:				
Commodities	9,219,706	9,327,000	+416,000	9,743,000
Cash in Lieu of commodities	132,073,294	134,155,000	+5,999,000	140,154,000
Subtotal, Nutrition Program for the Elderly	141,293,000	143,482,000	+6,415,000(2)	149,897,000
3. Commodities for Soup Kitchens	40,000,000	39,440,000	-7,440,000(3)	32,000,000

Project	1989 Actual	1990 Estimated	Increase	1991 Estimated
4. Commodity Supplemental Food Program:				
Commodities	38,811,483	53,529,618	-3,666,678	49,862,940
Administrative costs	7,500,000	9,754,200	-314,400	9,439,800
Special admin. funds	3,688,517	1,744,182	+1,885,078	3,629,260
Subtotal, Commodity Supplemental Food Program	50,000,000	65,028,000	-$2,096,000(4)	62,932,000
Total, Available or Estimate	289,147,000	308,090,000	+11,580,000	319,670,000
Gramm-Rudman-Hollings Reduction	—	3,448,000	-3,448,000	—
Total, Appropriation	289,147,000	311,538,000	+8,132,000	319,670,000

PROJECT STATEMENT
(On basis of available funds)

Project	1989 Actual	1990 Estimated	Increase	1991 Estimated
1. Food Distribution Program on Indian Reservations:				
Commodities in lieu of food stamps	$41,695,911	$43,530,000	+$14,481,000	$58,011,000
Payments to distributing agencies for administration	15,383,190	16,610,000	+220,000	16,830,000
Subtotal, Food Distribution Program on Indian Reservations	57,079,101	60,140,000	+14,701,000(1)	74,841,000
2. Nutrition Program for the Elderly:				
Commodities	9,301,000	9,327,000	+416,000	9,743,000
Cash in Lieu of commodities	131,562,112	134,155,000	+5,999,000	140,154,000
Subtotal, Nutrition Program for the Elderly	140,863,112	143,482,000	+6,415,000(2)	149,897,000
3. Commodities for Soup Kitchens	40,000,000	39,440,000	-7,440,000(3)	32,000,000
4. Commodity Supplemental Food Program:				
Commodities	46,403,174	57,263,042	-7,400,102	49,862,940
Administrative costs	7,860,095	9,754,200	-314,400	9,439,800
Special admin. funds	2,739,395	1,744,182	+1,885,078	3,629,260
Subtotal, Commodity Supplemental Food Program	57,002,664	68,761,424	-$5,829,424(4)	62,932,000
Total Obligations	294,944,877	311,823,424	+7,846,576	319,670,000
Recovery of prior year obligations	-485,554	—	—	—
Unobligated balances:				
Available, start of year	-10,250,534	-3,733,424	+3,733,424	
Available, end of year	3,733,424			
Lapsing	1,204,787			
Total, Available or Estimate	289,147,000	308,090,000	+11,508,000	319,670,000
Gramm-Rudman-Hollings Reduction	—	3,448,000	-3,448,000	—
Total, Appropriation	289,147,000	311,538,000	+8,132,000	319,670,000

EXPLANATION OF PROGRAM

Food Donations Programs for Selected Groups includes funds for: the Food Distribution Program on Indian Reservations (FDPIR); the continuation of food assistance to the Republic of Palau; the Nutrition Program for the Elderly (NPE); commodity purchases for soup kitchens and food banks authorized by the Hunger Prevention Act of 1988 (Public Law 100-435), and the Commodity Supplemental Food Program (CSFP).

Food Distribution Programs on Indian Reservations.

Overview of Program Development. The Food and Agriculture Act of 1977 authorized the distribution of agricultural commodities to eligible needy persons residing on or near Indian reservations or in the Pacific Islands. FDPIR was provided as an alternative to the Food Stamp Program for Indian households in rural areas where the Food Stamp Program was not available or where food stores were inconvenient. The Act requires that a food distribution program be established on an Indian reservation if an Indian Tribal Organization (ITO) requests the program. If the ITO is capable of administering the program, it may do so in lieu of administration by a State agency. P.L. 97-98 authorized low-income Indian households residing in Oklahoma to participate in the program.

The Compact of Free Association Act of 1985 (P.L. 99-239) as amended by the Palau Compact of Free Association Act (P.L. 99-658) terminated the Trusteeship Agreement with the Federated States of Micronesia and the Marshall Islands and established them as Freely Associated States. For transition purposes, food assistance continued through Fiscal Year 1989 but at reduced levels, except in the nuclear affected zones of Bikini and Enewetak, as prescribed by these laws. Food assistance for Palau will continue at normal levels until a compact is in effect for that area.

Eligibility and Benefits. Household eligibility for FDPIR is determined by income and resources in a manner similar to that used for Food Stamp Program eligibility. Unlike the Food Stamp Program, FDPIR has no employment and training requirements. Recipients must reside on or near a participating reservation, or reside in Oklahoma. In areas where both FDPIR and food stamps are available, no household may participate simultaneously in both programs, although they may switch from one program to the other.

In Fiscal Year 1990 participation in FDPIR is expected to average about 143 thousand per month. It is estimated that 520 residents of the Pacific Islands will receive food assistance each month in Fiscal Year 1990.

The foods made available to the distributing agencies include canned meats and fish, fruit, vegetables and juice, flour, rice, pasta, cornmeal, dairy products, honey, cereal, oil and shortening. To the extent that surplus price-support commodities are available and can be used without waste, the Commodity Credit Corporation (CCC) donates them for use in this program. In Fiscal Year 1990 the value of the food package distributed on Indian reservations will average about $29.48 per person per month, including $4.69 worth of commodities donated by CCC.

State/Federal Responsibilities. FDPIR is operated through a partnership between State distributing agencies or Indian tribal organizations and the Food and Nutrition Service (FNS). The grantee agency is responsible for certifying recipient eligibility, local warehousing and transportation of commodities, distribution of commodities to recipient households, and program integrity.

The Federal Government pays 100 percent of the cost of commodities distributed through the program. In addition, cash payments are made to distributing agencies to assist them in meeting the administrative expenses incurred in operating a food distribution program. In Fiscal Year 1990, the Federal Government expects to pay about 79 percent of distributing agencies' administrative expenses. Included among these costs are local warehousing and transportation of commodities, utilities, salaries and equipment.

Nutrition Program for the Elderly.

Overview of Program Development. Food assistance for NPE is authorized by Titles III and VI of the Older Americans Act of 1965. The Older Americans Act Amendments of 1987 (P.L. 100-175) reauthorized the program through Fiscal Year 1991. The cash and commodities provided are used in preparing meals which are served in senior citizen centers and similar settings or delivered to the home-bound elderly. These meals are the focal point of the nutrition projects for the elderly which have the dual objectives of promoting better health and reducing the isolation of old age.

NPE is administered by the U.S. Department of Health and Human Services (HHS). USDA supplements HHS programs for the elderly with commodities and/or cash in lieu of commodities for meals served under the provisions of Title III, section 311(a), Grants for State and Community Programs on Aging, and Title VI, Grants for Indian Tribes, of the Older Americans Act of 1965 (OAA), as amended.

Eligibility and Benefits. Commodities or cash in lieu of commodities are distributed through State agencies to the local meal sites at a specific rate per meal set by law. P.I. 100-175 set the rate at 56.76 cents per meal through Fiscal Year 1991. Some States elect to take all of their subsidies in cash and some States choose to receive a combination of cash and commodities. The commodities made available to NPE are generally the same as those provided to schools under the Child Nutrition Programs. In addition to the 56.76 cent per meal entitlement, States or Indian tribes which elect 20 percent of their benefits in commodities are eligible to receive such bonus commodities as USDA can make available.

Although originally a program to distribute nutritious USDA purchased commodities to senior citizen meal sites, the program has evolved primarily into a cash subsidy program. Approximately 6 percent of program resources are distributed to meal providers in commodities. Elderly persons regardless of income may benefit from these subsidies.

The amount available for Fiscal Year 1990 will support 253 million meals at a reimbursement rate of 56.76 cents per meal.

State/Federal Responsibilities. State Agencies on Aging designate area Agencies on Aging to plan and coordinate the program through local outlets. The State Agencies on Aging and Indian tribal agencies request USDA-donated foods, cash in lieu of foods, or a combination of both to use in providing meals to the elderly at various sites. State Agencies on Aging and Indian Tribal organizations that receive commodities obtain them primarily from the State distributing agency that provides USDA foods to schools for the National School Lunch Program.

Commodity Purchases for Soup Kitchens.

Overview of Program Development. USDA has provided surplus commodities to soup kitchens and food banks for a number of years through food donations to charitable institutions. In addition, the Hunger Prevention Act of 1988 mandates the purchase and distribution of $40 million worth of commodities to soup kitchens and food banks in each of Fiscal Years 1989 and 1990, and $32 million in Fiscal Year 1991.

Eligibility. Commodities are distributed to the States which, in turn, provide them to public and charitable institutions that maintain an established feeding operation to provide food to needy homeless persons on a regular basis as an integral part of their activities (soup kitchens). When commodities cannot be used by these organizations, States provide such commodities to food banks.

Benefit. USDA provides commodities to States for local distribution to soup kitchens and food banks. USDA will distribute canned pork, canned corn, dry beans, canned peaches, peanut butter, canned plums, canned apple juice, apple sauce and canned sweet potatoes in Fiscal Year 1990.

State/Federal Responsibilities. Within the States, distribution to soup kitchens and food banks and payments for storage and distribution are the responsibility of State distributing agencies. States are responsible for requesting commodities only in quantities that can be efficiently utilized by soup kitchens and food banks and managing the distribution of commodities to local organizations. States are also responsible for ensuring that soup kitchens and food banks comply with all Federal program regulations and requirements. In addition, States are responsible for allocating administrative funds received under the Temporary Emergency Food

Assistance Programs (TEFAP) to TEFAP emergency feeding organizations, soup kitchens and food banks.

Commodity Supplemental Food Program.

Overview of Program Development. Instituted in November 1968 through Public Law 90-463, CSFP is now authorized by section 4(a) of the Agricultural and Consumer Protection Act of 1973, as amended in 1981 by P.L. 97-98. The primary goal of the program is to provide commodities to supplement the diets of low-income pregnant, postpartum and breastfeeding women, and infants and children up to age six. The purpose and clientele is similar to the Special Supplemental Food Program, although nutritional risk assessments, nutrition education and health care referrals are not required for CSFP.

The elderly component of CSFP was initiated by the Agriculture and Food Act of 1981, P.L. 97-98, which provided for two pilot projects for low-income elderly persons in Polk County, Iowa and in Detroit, Michigan. These projects began operations in September, 1982 and a third pilot project in New Orleans, Louisiana, began after authorization by P.L. 97-370, December 18, 1982. The Food Security Act of 1985, P.L. 99-198, provided that funds available beyond those needed to serve women, infants, and children could be used to serve elderly persons beyond those participating in the original pilot project sites. Since 1982, elderly caseload has grown to about 40 percent of the program total.

Eligibility and Benefits. This program provides supplemental foods donated and purchased by USDA to infants and children up to age six and to pregnant, postpartum and breastfeeding women and senior citizens who have low incomes and are residing in approved project areas. In Fiscal Year 1990, authorized caseload levels of 165,092 women, infants and young children and 106,754 elderly have been allocated to receive food packages each month. The foods are provided by the Department of Agriculture for distribution through State agencies. The commodities provided include iron-fortified infant formula and cereal, adult cereals, canned juice, evaporated milk and/or nonfat dry milk, canned vegetables or fruits, canned meat or poultry, egg mix, dehydrated potatoes, farina, and peanut butter or dry beans. Elderly participants receive all commodities except iron-fortified infant formula and infant cereal. CSFP participants sometimes receive "bonus" commodities in addition to the authorized food package.

When appropriate commodities are held in CCC inventory, they may be donated by CCC without charge to the CSFP appropriation and used to fulfill part of the authorized food package. Such donated commodities are referred to as "free foods". Since free foods are not charged against the CSFP appropriation, funds that are saved can be made available for additional participants.

State/Federal Responsibilities. The CSFP is operated as a State/Federal partnership under agreements signed by State health care or agricultural agencies and FNS. The Federal Government provides all commodities distributed to participants through the program. States are given 15 percent of the Federal funds appropriated to cover administrative costs. In addition, the Food Security Act of 1985 authorized additional administrative funds by extending the formula to include 15 percent of the value of additional bonus and free commodities distributed. Thus, administrative expense support ranges from about 18 to 21 percent of the appropriation. Allowable costs include nutrition education, warehousing, food delivery, participant certification, and other costs associated with State and local administration of the program.

JUSTIFICATION OF INCREASES AND DECREASES

(1) An increase of $14,701,000 in the appropriation for FDPIR and in the Pacific Islands ($60,140,000 available in 1990).

(a) An increase of $14,481,000 for commodities in lieu of food stamps ($41,530,000 available in Fiscal Year 1990).

Need for Change. The increase reflects higher anticipated participation and food costs. Increases in food cost include funds to purchase commodities which were donated from surplus supplies in prior years such as honey and cheese and additional adjustments made to other package items.

In addition, the increase reflects the cost of improvements to the basic food package.

Nature of Change. Funds requested will allow the average monthly participation in FDPIR to be maintained at the 1990 level.

(b) An increase of $220,000 for State administrative expenses (SAE) ($16,610,000 available in Fiscal Year 1990).

Need for Change. The funding level for SAE is based on prior operations including adjustment for inflation. The annualization of costs associated with new tribes which entered the program during Fiscal Year 1990 increases the total funding required.

Nature of Change. An appropriation of $16,830,000 will be needed for administrative expenses in 1991.

Food Distribution Program

	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate	Change
Indian Reservations:				
Average participation	139,024	143,000	143,000	—
Average monthly food package:				
FNS purchased	$24.30	$24.79	$33.23	+$8.44
CCC bonus commodities	5.78	4.69	3.01	-$1.68
Total monthly food package	$30.08	$29.48	$36.24	+$6.76
Annual value of FNS purchased commodities	$40,538,438	$42,542,000	$57,023,000	$14,481,000
Indian Administration Cost	15,383,190	16,610,000	16,830,000	+220,000
Pacific Islands	530,000	488,000	488,000	—
Disaster Feeding	627,473	500,000	500,000	—
TOTAL FNS COST	$57,079,101	$60,140,000	$74,841,000	14,701,000
CCC bonus commodities	9,638,000	8,043,000	5,166,000	-2,877,000
GRAND TOTAL	$66,717,101	$68,183,000	$80,007,000	$+11,824,000

(2) An increase of $6,415,000 in the appropriation for NPE ($143,482,000 available in 1990).

Need for Change. The increase would allow an increase in the number of meals served. The rate of reimbursement will not change.

Nature of Change. Increased funding will support anticipated program growth.

	1989	1990	1991
Meals served (millions)	243	253	264
Rate per meal (cents)	56.76	56.76	56.76

(3) A decrease of $7,440,000 in the appropriation for Commodities for Soup Kitchens.

Need for change. The Hunger Prevention Act of 1988 authorized $32,000,000 in appropriations for Fiscal Year 1991.

Nature of change. The authorized level changes.

(4) A decrease of $2,096,000 in the appropriation for CSFP ($65,028,000 available in 1990). On the basis of available funds there is a decrease of $5,829,424 ($68,761,424 available in 1990).

Need for change. This net decrease reflects the cost of nonfat dry milk being donated from CCC surplus as a free substitute to the program partially offset by a projected rise in the food package costs due to the increases in the Producer Price Index.

Nature of change. The funding level requested for Fiscal Year 1991 will support Fiscal Year 1990 caseload levels of 165,092 women, infants and children and 106,754 elderly.

Commodity Supplemental Food Program

	1989 Actual	FY 1990 Estimate	FY 1991 Estimate	Change
Peak Participation (in thousands):				
CSFP/WIC	179	165	165	0
CSFP/Elderly	113	107	107	0
Program Level ($ in millions):				
Food costs	$46.4	$57.3	$49.9	-$7.4
State and local administrative costs	7.9	9.8	9.4	-$0.4
Special administrative costs	2.7	1.7	3.6	+$1.9
Total	57.0	$68.8	$62.9	-$5.9
Average food cost per person per month:				
Women, Infants and Children:				
Entitlement	$18.09	$19.40	$21.05	+$1.65
FNS funded	(16.24)	(19.40)	(17.51)	(-1.89)
Free substitute (donated)	(1.85)	(—)	(3.54)	(+3.54)
Bonus (donated)	(4.08)	3.16	3.28	+0.12
Average per person total commodities	22.17	$22.56	$24.33	+$1.77
Elderly:				
Entitlement	14.22	$14.70	$15.97	+$1.27
FNS funded	(11.27)	(14.70)	(11.99)	(-2.71)
Free substitute (donated)	(2.95)	(—)	(3.98)	(+3.98)
Bonus (donated)	5.55	4.19	4.36	+ 0.17
Average per person total commodities	19.77	$18.89	$20.33	+ 1.44

FOOD DONATIONS PROGRAMS FOR SELECTED GROUPS

STATUS OF PROGRAMS

In Fiscal Year 1989 the Food Donations Programs for Selected Groups continued to provide direct assistance to persons in need through the Food Distribution Program on Indian Reservations (FDPIR), the Needy Family Program, the Nutrition Program for the Elderly (NPE) and Commodities for Soup Kitchens and Food Banks.

Food Distribution Program on Indian Reservations (FDPIR)

The Food Distribution Program on Indian Reservations implements the requirements of Public Laws 95-113 and 97-98 to allow Indian Tribal Organizations (ITOs) to operate a food distribution program. This program is an alternative to the Food Stamp Program for eligible households living on or near an Indian reservation or Indians residing in Oklahoma.

FNS conducted a review in 1986 of the FDPIR food package contents and nutrition education components. Some recommendations for improving the nutritional content of the food package have already been implemented. FNS is currently working on the implementation of nutrition education improvements that were also recommended.

In Fiscal Year 1989, two Tribes entered FDPIR. At the close of Fiscal Year 1989, 86 Indian Tribal Organizations (ITOs) and 6 States operated the FDPIR on 219 Indian reservations. Participation in the FDPIR reached a monthly average of over 141 thousand participants in Fiscal Year 1989. Foods valued at $ 41.7 million were purchased for donation through FDPIR in Fiscal Year 1989. In addition, foods valued at $8.2 million were donated to FNS without charge to FDPIR from section 32 surplus removal and section 416 price support activities to meet basic food needs.

In September 1989, GAO issued a report (#B-236011) regarding the effectiveness of public and private programs in alleviating hunger and promoting the nutritional welfare of residents on Indian Reservations. In response to the study, FNS initiated a study of 30 programs and 825 households within the FDPIR. The overall objective of the study is to provide FNS with descriptive information on FDPIR program operations and recipient households. The study will:

- describe dietary needs and preferences of low-income Native Americans and examine the ways in which FDPIR addresses them;
- provide a preliminary comparison of the availability and acceptability of FDPIR commodities to food stamps for Native Americans; and
- describe the demographic and socio-economic characteristics of FDPIR households.

Needy Family Program

The Needy Family Program provided commodities for distribution to eligible households living in the Marshall Islands and the Federated States of Micronesia and Palau. These governments were also provided cash grants for the administrative costs associated with the distribution of commodities.

Pursuant to P.L. 99-239, P.L. 99-658, and their Compacts of Free Association, program funding for the Marshall Islands and the Federated States of Micronesia was phased out during a three-year transition period ending in Fiscal Year 1989. P.L. 99-239, as amended by P.L. 99-658, restricted the amount of assistance which could be received by the Marshall Islands and the Federated States of Micronesia through this program. The level of assistance in Fiscal Year 1989 could not exceed 25 percent of the Fiscal Year 1986 level. Certain islands in nuclear affected zones will continue to receive assistance at traditional levels through Fiscal Year 1991. The former trust territories will continue to be eligible for emergency assistance from the Department pursuant to the Disaster Relief Act for 15 years.

Until the Compact of Free Association for Palau is implemented, Palau will continue to receive assistance through the Needy Family Program at its traditional level. The compact for Palau does not currently contain a provision for the continuation of assistance through the Disaster Relief Act.

FOOD DISTRIBUTION PROGRAM ON INDIAN RESERVATIONS AND THE NEEDY FAMILY PROGRAM

PARTICIPATION AND FUNDING
FISCAL YEAR 1989

STATE OR TERRITORY	AVERAGE MONTHLY PARTICIPATION	FOOD COSTS 1/	ADMINISTRATIVE FUNDING
Arizona	30,717	$8,662,706	$2,267,037
California	4,067	1,398,613	595,752
Colorado	667	176,876	99,214
Florida	634	148,625	97,715
Idaho	1,843	570,397	267,556
Iowa	249	76,078	30,834
Kansas	523	149,691	86,589
Michigan	1,700	495,639	345,809
Minnesota	6,602	2,032,036	863,995
Mississippi	988	235,961	144,784
Montana	6,331	1,484,557	1,116,950
Nebraska	1,744	541,147	188,578
Nevada	1,307	367,687	175,748
New Mexico	8,360	2,376,372	854,712
New York	647	172,812	129,313
North Carolina	967	302,320	88,539
North Dakota	7,282	2,122,065	910,418
Oklahoma	38,831	10,395,879	3,367,555
Oregon	897	285,599	141,785
South Dakota	12,623	3,488,362	1,799,768
Utah	341	0	76,498
Washington	5,237	1,617,505	683,338
Wisconsin	4,189	1,123,582	662,555
Wyoming	1,832	711,392	232,408
Freely Associated States	2,635	476,204	105,152
Undistributed	0	2,283,806	50,588
TOTAL	141,213	$41,695,911	$15,383,190

1/ Includes values for entitlement foods but not for bonus commodities.

NOTE: These data are based in part on preliminary data submitted by State and local agencies and are subject to change as revised reports are received.

FOOD DISTRIBUTION PROGRAM ON INDIAN RESERVATIONS AND FOR DISASTER FEEDING
Quantity and Value of Commodities

By Commodity, Fiscal Year 1989 Page 1 of 2

ENTITLEMENT COMMODITIES	Indian Reservations		Disaster Feeding	
	Pounds	Dollars	Pounds	Dollars
SECTION 6/32 TYPE:				
APPLE JUICE, CANNED	2,178,754	$522,596	122	$36
APPLESAUCE, CANNED	1,237,584	423,124	122	36
APRICOTS, CANNTED	683,616	478,783		
BEANS, DRY	2,815,776	966,343		
BEANS, DRY CANNED	0	0	122	28
BEANS, GREEN, CANNED	1,550,441	546,397		
BEANS, VEGETARIAN	2,331,696	650,150	203	67
BEEF, CANNED W/NJ	1,050,896	1,289,017	10,875	13,340
BEEF, CANNED W/NJ-ORIGIN	1,260,630	1,760,168		
BEEF, FROZEN GROUND	0	0	288	351
CARROTS	212,880	63,291		
CHICKEN, CANNED BONED	605,034	1,069,193		
CORN, CREAM STYLE	898,848	349,149		
CORN, WHOLE KERNEL	914,352	315,966		
DATE PIECES	0	0	30	23
EGG MIX	921,438	1,345,311		
FRUIT COCKTAIL, CANNED	1,529,976	837,719		
GRAPE JUICE, CANNED	2,024,488	671,328		
GRAPEFRUIT JUICE, CANNED	1,129,363	269,569		
MEAT, LUNCHEION CANNED	1,720,260	2,195,865		
MEATBALL STEW	767,412	488,131		
ORANGE JUICE, CANNED	5,598,023	1,834,329		
PEACHES, CLING CANNED	2,260,002	1,094,594		
PEARS, CANNED	1,705,032	847,025		
PEAS, GREEN CANNED	659,952	241,317		
PINEAPPLE CHUNCKS	1,584,482	340,498		
PINEAPPLE JUICE	1,176,480	479,792		
PLUMS, CANNED, PURPLE	462,792	149,002		
PORK, CANNED W/NJ	1,074,286	1,229,888		
PORK, FRZ GROUND	0	0	72	68
POTATOES, DEHYDRATED	708,504	386,142		
POTATOES, WHOLE	815,160	255,491		
PRUNES, DRIED	566,328	320,471		
PUMPKIN	45,000	16,184		
RASINS	1,685,424	1,197,077		
SALMON, PINK CND	28,784	42,261		
SPINACH, CANNED	849,697	313,472		
SWEET POTATOES, SYRUP	656,496	266,404		
SYRUP, CORN	928,097	270,053		
TOMATO JUICE, CANNED	1,858,670	406,980		
TOMATO PASTE, CANNED	0	0	42	21
TOMATO SAUCE	1,086,061	345,150		
TOMATOES CANNED	767,160	274,782		
TUNA, CHUNK LIGHT-WATER	1,332,880	1,866,504	4,763	7,335
TURKEY ROASTS, FROZEN	0	0	240	320
Total Section 6/32 Type	49,682,754	$26,399,516	16,879	$21,605
SECTION 416-TYPE:				
BUTTER	0	0	36	50
CEREAL, DRY CORN	470,462	458,570		
CEREAL, DRY RICE	464,977	550,730		
CEREAL, DRY WHEAT	105,111	54,623		
CEREAL, INFANT RICE	60	77		
CEREAL, WHEAT	195,732	215,226		
CHEESE PROCESS	0	0	120	148
FARINA	325,185	102,543		
FLOUR	14,605,700	2,019,055		
HONEY	170,208	127,548		
MACARONI	1,611,720	438,979	20	6
MILK, EVAPORATED	9,389,080	3,984,189		
OATS, ROLLED	174,564	35,099		
OIL, VEGETABLE	1,141,704	585,153	369	134
PEANUT BUTTER	1,529,568	1,202,827		
PEANUTS, ROASTED	1,214,010	1,293,640		
RICE, MILLED	1,835,424	328,501	180,000	32,256
SHORTENING, VEGETABLE	1,756,044	777,757		
SPAGHETTI, ENRICHED	1,178,664	325,585		
WHEAT, ROLLED	869,184	185,034	180,000	32,256
Total Section 416-Type	37,037,397	$12,685,136	360,545	$64,850
Undistributed		2,611,259		
Total Commodity Entitlement	86,720,151	$41,695,911	377,424	$86,455

continued on the next page

FOOD DISTRIBUTION PROGRAM ON INDIAN RESERVATIONS AND FOR DISASTER FEEDING
Quantity and Value of Commodities

By Commodity, Fiscal Year 1989

Page 2 of 2

BONUS COMMODITIES	Indian Reservations		Disaster Feeding	
	Pounds	Dollars	Pounds	Dollars
SECTION 32-TYPE:				
SYRUP, CORN, BOTTLED	776	$206		
Total Section 32 Type	776	$206	0	0
SECTION 416-TYPE:				
BUTTER	1,412,460	1,858,749		
CHEESE PROCESS	3,168,510	3,911,239		
CORNMEAL	1,380,200	157,491		
HONEY	275,796	211,356		
MILK, NFD	2,261,448	2,046,077		
Total Section 416 Type	8,498,414	$8,184,912	$0	$0
Total Bonus Commodities	8,499,190	$8,185,118	0	$0
GRAND TOTAL (Entitlement & Bonus)	95,219,341	$49,881,029	377,424	$86,455

SOURCE: Preliminary food orders for fiscal year 1989

Nutrition Program for the Elderly

The United States Department of Agriculture supplements the Department of Health and Human Services (DHHS) programs for the elderly with cash and commodities for meals served under the provisions of Title III (Grants for State and Community Programs on Aging) and Title VI (Grants for Indian Tribes) of the Older Americans Act of 1965 (OAA), as amended.

These DHHS programs provide elderly persons with low cost, nutritionally sound meals served through meals-on-wheels programs or in senior citizen centers and similar settings where participants can also receive social and rehabilitative services. These meals provide the focal point for activities which have the dual objectives of promoting better health and reducing the isolation that may occur in old age.

As required by the Older Americans Act, the Department provided reimbursement for approximately 243 million meals at the rate of 56.76 cents per meal in Fiscal Year 1989. The State agencies distributed commodities or cash to local elderly nutrition centers. The commodities made available to the Nutrition Program for the Elderly were similar in variety to those provided to schools under the Child Nutrition Programs. Of the total funding provided, $9.3 million was made in the form of commodities and $131.6 million was cash reimbursement.

NUTRITION PROGRAM FOR THE ELDERLY
MEALS SERVED AND PROGRAM COSTS

FISCAL YEAR 1989

STATE OR TERRITORY	MEALS SERVED		FNS PROGRAM COSTS a/
	AVERAGE DAILY	TOTAL FY 1989	
Alabama	14,823	3,853,916	$2,328,722
Alaska	1,932	502,349	268,568
Arizona	10,119	2,630,887	1,520,959
Arkansas	13,643	3,547,051	2,034,890
California	75,731	19,689,971	11,521,823
Colorado	8,773	2,280,923	1,260,594
Connecticut	11,938	3,103,833	1,921,277
Delaware	3,688	958,835	541,167
District of Columbia	5,240	1,362,434	776,853
Florida	46,217	12,016,368	7,110,103
Georgia	12,644	3,287,410	1,891,886
Hawaii	3,970	1,032,254	638,935
Idaho	4,789	1,245,066	798,390
Illinois	30,537	7,939,734	4,309,419
Indiana	18,909	4,916,257	2,955,066
Iowa	17,823	4,634,076	2,597,716
Kansas	15,114	3,929,726	2,219,951
Kentucky	13,716	3,566,168	2,093,095
Louisiana	18,581	4,831,085	2,712,496
Maine	4,210	1,094,698	624,947
Maryland	16,068	4,177,556	2,331,862
Massachusetts	28,411	7,386,754	4,432,235
Michigan	43,588	11,332,861	6,316,005
Minnesota	19,080	4,960,876	2,661,584
Mississippi	11,881	3,089,065	1,855,533
Missouri	25,134	6,534,736	3,684,948
Montana	7,292	1,896,001	1,751,868
Nebraska	9,006	2,341,678	1,258,838
Nevada	4,629	1,203,518	829,597
New Hampshire	5,005	1,301,406	785,189
New Jersey	22,553	5,863,820	4,192,745
New Mexico	8,840	2,298,450	1,311,215
New York	92,986	24,176,378	13,890,277
North Carolina	18,232	4,740,219	2,908,653
North Dakota	5,405	1,405,219	743,945
Ohio	27,358	7,113,072	4,247,556
Oklahoma	17,561	4,565,945	2,570,297
Oregon	11,224	2,918,203	1,713,694
Pennsylvania	47,172	12,264,719	6,938,045
Rhode Island	4,747	1,234,211	727,223
South Carolina	8,962	2,330,020	1,328,367
South Dakota	6,906	1,795,632	1,017,912
Tennessee	15,170	3,944,127	2,265,606
Texas	61,201	15,912,180	8,791,269
Utah	5,192	1,349,796	752,226
Vermont	3,117	810,397	471,364
Virginia	12,497	3,249,203	1,814,815
Washington	13,278	3,452,305	1,950,108
West Virginia	8,847	2,300,297	1,298,366
Wisconsin	24,350	6,330,920	3,430,007
Wyoming	4,293	1,116,068	598,192
American Samoa	0	0	0
Freely Associated States	0	0	29,354
Guam	1,403	364,822	220,862
N. Mariana Islands	309	80,431	47,183
Puerto Rico	9,497	2,469,126	1,399,670
Virgin Islands	0	0	0
Indian Tribes	b/	b/	0
DOD Army/AF/USMC/NAVY	0	0	0
Anticipated Adjustment	0	0	169,645
TOTAL	933,591	242,733,052	$140,863,112

a/ Includes entitlement commodities and cash in lieu thereof.

b/ Data combined with that for the appropriate state.

NOTE: Data for Title III and VI Programs are based in part on preliminary data submitted by the States and local agencies and are subject to change as revised reports are received.

NUTRITION PROGRAM FOR THE ELDERLY
Quantity and Value of Commodities

By Commodity, Fiscal Year 1989 Page 1 of 2

ENTITLEMENT COMMODITIES	Pounds	Dollars
SECTION 6/32 TYPE:		
APPLE JUICE, CANNED	183,562	$45,839
APPLE SLICES, CANNED	495,417	221,104
APPLES, FRESH	14,745	3,384
APPLESAUCE, CANNED	669,391	194,925
APRICOTS, CANNED	18,590	9,713
BEANS, DRY	40,000	15,980
BEANS, DRY CANNED	221,497	51,034
BEANS, REFRIED, CANNED	12,474	4,101
BEANS, VEGETARIAN	216,030	49,698
BEEF PATTIES, FRZ	20,880	25,348
BEEF PATTIES, FRZ W/VPP	52,200	53,280
BEEF, FROZEN GROUND	1,187,244	1,438,863
BEEF, FRZ GRD COARSE-PROCESS	11,100	13,134
BLACKBERRIES, FROZEN	85,320	54,229
CHICKENS, CHILLED BULK	36,000	21,848
CHICKENS, FROZEN, BREADED	112,910	126,641
CHICKENS, FROZEN, CUT-UP	991,440	645,634
CHICKENS, FROZEN QUARTERS	2,280,000	1,488,085
FISH NUGGETS, FROZEN	214,000	249,670
HAM, FRZ COOKED BONELESS	476,800	662,753
MIXED FRUIT	573,400	270,878
PEACHES, CLING CANNED	465,840	213,123
PEACHES, FREESTONE CND	162,280	72,442
PEARS, BOSC FRESH	1,980	578
PEARS, CANNED	600,920	236,242
PEARS, D'ANJOU FRESH	31,770	7,628
PEARS, DICED	33,000	13,787
PEARS, HALVES	65,800	27,860
PEARS, SLICED	109,400	46,734
PINEAPPLE CHUNKS	78,189	29,234
PINEAPPLE, CANNED	231,633	92,468
PLUMS, CANNED, PITTED	86,112	26,876
PLUMS, CANNED, PURPLE	215,819	55,011
PORK, FRZ GROUND	325,980	309,767
POTATO ROUNDS, FROZEN	92,700	30,786
POTATOES, OVEN FRY	69,930	21,056
PRUNES, DRIED, PITTED	42,602	53,125
SWEET POTATOES, MASHED	75,850	16,672
SWEET POTATOES, SYRUP	485,356	137,842
TOMATO PASTE, CANNED	104,465	51,657
TOMATOES, CANNED	485,433	180,531
TOMATOES, CRUSHED	331,422	119,312
TUNA, CHUNK LIGHT-WATER	160,689	218,274
TURKEY ROASTS, FROZEN	690,514	1,014,737
TURKEY, FROZEN GROUND	15,240	11,099
TURKEY, FROZEN WHOLE	198,338	149,942
WALNUTS, ENGLISH PIECES	51,030	78,606
Total Section 6/32 Type	13,125,292	$8,861,530

continued on the next page

NUTRITION PROGRAM FOR THE ELDERLY
Quantity and Value of Commodities

By Commodity, Fiscal Year 1989 Page 2 of 2

ENTITLEMENT COMMODITIES (cont'd)	Pounds	Dollars
SECTION 416-TYPE:		
CHEESE, MOZZARELLA FROZEN	16,402	$22,850
FLOUR	163,250	22,219
GRITTS, CORN	300	32
MACARONI	58,180	15,068
OATS, ROLLED	7,632	1,603
OIL, SOYBEAN	18,800	5,482
OIL, VEGETABLE	120,167	44,960
PEANUT BUTTER	55,692	42,409
PEANUT GRANULES	147	141
PEANUTS, ROASTED	40,272	33,931
RICE, BROWN	1,250	257
RICE, MILLED	86,200	15,205
SHORTENING, LIQUID VEG	141,926	50,111
SHORTENING, VEGETABLE	60,732	26,781
SPAGHETTI, ENRICHED	38,180	9,595
Total Section 416-Type	809,130	$290,644
Anticipated Adjustment		148,826
Total Commodity Entitlement	13,934,422	. $9,301,000

BONUS COMMODITIES	Pounds	Dollars
SECTION 32-TYPE:		
BEEF, CANNED W/NJ-ORIGIN	435,044	564,070
BEEF, FRZ GROUND	396,936	467,727
CHERRIES, FRZ	8,850	3,324
DATE PIECES	66,600	50,456
FIGS, DRIED	11,040	9,783
PEARS, D'ANJOU FRESH	70,020	16,447
PORK, FROZEN GROUND	360,360	360,633
PRUNES, DRIED, PITTED-BONUS	117,900	72,094
Total Section 32 Type	1,466,750	$1,544,534
SECTION 416-TYPE:		
BUTTER	765,316	1,057,573
BUTTER PATTIES, SOC	76,800	119,232
CHEESE PROCESS	420,510	518,276
CHEESE, CHEDDAR	99,459	117,115
CORNMEAL	159,250	18,347
FLOUR	456,600	62,702
HONEY	3,438	2,595
MILK, NFD	109,102	82,420
Total Section 416 Type	2,090,475	$1,978,260
Total Bonus Commodities	3,557,225	$3,522,794
TOTAL - ALL COMMODITIES	17,491,647	$12,823,794
CASH IN LIEU OF COMMODITIES		131,562,112
GRAND TOTAL	17,491,647	$144,385,906

SOURCE: Preliminary food orders for fiscal year 1989

Soup Kitchens/Food Banks

The Hunger Prevention Act of 1988, Public Law 100-435, authorized $40 million to purchase, process, and distribute commodities to soup kitchens and food banks, with priority given to institutions which prepare meals for the homeless.

These commodities were allocated to States based on a formula which considers the unemployment rate in each State and the number of persons in each State with incomes below the poverty level, as compared to nationwide figures.

In Fiscal Year 1989, approximately 80 million pounds of commodities valued at $40 million were purchased and made available to States for distribution to soup kitchens and food banks. The commodities that were made available were canned pork, dry peas, lentils, dehydrated potatoes, canned sweet potatoes, canned grapefruit and orange juice, canned pears, canned luncheon meat, and dry beans.

SOUP KITCHENS AND FOOD BANKS
Quantity and Value of Commodities

By Commodity, Fiscal Year 1989

ENTITLEMENT COMMODITIES	Pounds	Dollars
SECTION 6/32 TYPE:		
BEANS, DRY	5,160,000	$2,042,560
GRAPEFRUIT JUICE, CANNED	16,822,300	3,901,123
LENTILS	3,400,000	977,160
MEAT, LUNCHEON CANNED	2,217,600	2,892,077
ORANGE JUICE, CANNED	24,282,300	8,121,486
PEARS, CANNED	1,443,000	607,602
PEAS, DRY SPLIT	1,440,000	287,136
PORK, CANNED, W-NJ	13,254,624	14,931,835
POTATOES, DEHYDRATED	6,540,000	3,575,418
SWEET POTATOES, SYRUP	5,236,410	2,202,981
Total Section 6/32 Type	79,796,234	$39,539,378
Anticipated Adjustment		460,622
Total Commodity Entitlement	79,796,234	$40,000,000

SOURCE: Preliminary food orders for fiscal year 1989

Commodity Supplemental Food Program (CSFP)

The Commodity Supplemental Food Program provides federally purchased commodities and administrative funds to States which distribute the commodities to low-income pregnant, postpartum, and breastfeeding women, infants, children up to age 6 and persons 60 years of age and older residing in approved project areas. The quantity and varieties of commodities are determined by the Secretary of Agriculture.

Program Caseload

In Fiscal Year 1989 there were 20 State agencies operating the program. Eleven of the State agencies also serve elderly participants. In Fiscal Year 1989 available funds supported caseload allocations of 179,539 women, infants and children and 112,794 elderly. The average monthly participation in Fiscal Year 1989 was about 147,212 women, infants and children, and about 92,224 elderly.

Food Package

Six USDA purchased food packages are provided as benefits according to the following age or categories of participants: (1) infants - birth through 3 months; (2) infants - 4 through 12 months; (3) children - 1 to 6 years; (4) pregnant and breastfeeding women; and (5) non-breastfeeding postpartum women; and (6) the elderly. The food packages reflect the health and nutritional requirements of participant categories.

CSFP participants receive monthly food packages which include: juice, hot or cold cereal, nonfat dry milk, evaporated milk, egg mix, dry beans or peanut butter, canned fruits or vegetables, canned meat or poultry, and dehydrated potatoes or rice. Infants receive formula and rice cereal. In Fiscal Year 1989, participants also received as bonus foods, cheese, butter, honey and cornmeal.

COMMODITY SUPPLEMENTAL FOOD PROGRAM
PROJECTS, PARTICIPATION AND FOOD COST

FISCAL YEAR 1989

STATE OR TERRITORY	PROJECTS	AVERAGE MONTHLY PARTICIPATION (FNS-153)					FOOD VALUE IN DOLLARS 1/
		WOMEN	INFANTS	CHILDREN	ELDERLY	TOTAL	
ARIZONA	2	725	22	3,714	1,897	6,358	$850,503
CALIFORNIA	1	712	519	3,674	2,566	7,471	1,146,166
COLORADO	6	3,459	2,829	7,851	3,927	18,066	3,436,672
DISTRICT OF COLUMBIA	1	835	632	2,969	7,047	11,483	1,957,486
ILLINOIS	1	1,745	1,008	8,991	791	12,535	2,340,321
IOWA	1	277	129	1,158	4,614	6,178	714,751
KANSAS	1	806	15	1,662	0	2,483	387,838
KENTUCKY	1	464	356	2,666	3,073	6,559	642,578
LOUISIANA	1	3,937	3,096	17,681	21,742	46,456	8,998,536
MICHIGAN	4	7,079	5,179	27,829	31,162	71,309	13,997,661
RED LAKE, MINN	2	100	97	341	0	538	105,740
MINNESOTA	1	399	92	1,202	0	1,693	364,009
NEBRASKA	7	764	257	4,144	5,348	10,513	1,592,706
NEW HAMPSHIRE	2	378	6	606	0	990	259,851
NEW MEXICO	1	751	347	3,169	0	4,267	1,375,275
NEW YORK	1	604	374	1,703	0	2,681	937,781
NORTH CAROLINA	1	121	95	456	1,352	2,024	318,306
OREGON	1	29	28	446	0	503	216,729
SOUTH DAKOTA	1	151	119	887	0	1,157	215,314
TENNESSEE	4	3,740	2,277	11,450	8,705	26,172	4,366,094
ANTICIPATED ADJUSTMENT							2,178,857
TOTAL	40	27,076	17,477	102,659	92,224	239,436	$46,403,174

1/ Total value of entitlement foods

NOTE: These data are based in part on preliminary data submitted by State and local agencies and are subject to change as revised reports are received.

COMMODITY SUPPLEMENTAL FOOD PROGRAM
Quantity and Value of Commodities

By Commodity, Fiscal Year 1989

ENTITLEMENT COMMODITIES	Pounds	Dollars
SECTION 6/32 TYPE:		
APPLE JUICE, CANNED	5,572,595	$1,316,803
APPLESAUCE, CANNED	1,210,752	414,816
APRICOTS, CANNED	283,560	194,582
BEANS, DRY	1,200,144	430,915
BEANS, GREEN, CANNED	1,245,103	417,454
BEEF, CANNED W/NJ	648,504	795,522
BEEF, CANNED W/NJ-ORIGIN	1,332,666	1,860,010
BEEF, MEATBALL STEW	197,316	125,628
CARROTS	143,208	42,501
CHICKEN, CANNED BONED	443,142	808,107
CORN, CANNED, CREAM STYLE	509,328	207,511
CORN, CANNED, WHOLE KERNEL	350,040	136,164
EGG MIX	1,896,696	2,950,228
FRUIT COCKTAIL, CANNED	1,133,856	621,704
GRAPE JUICE, CANNED	4,851,946	1,707,629
GRAPEFRUIT JUICE, CANNED	1,155,898	271,535
ORANGE JUICE, CANNED	17,079,678	5,598,160
PEACHES, CLING CANNED	1,717,848	807,687
PEARS, CANNED	1,037,904	514,155
PEAS, GREEN CANNED	875,496	346,720
PINEAPPLE JUICE, CANNED	5,036,347	1,077,391
PINEAPPLE, CANNED	485,520	196,442
PLUMS, CANNED, PURPLE	533,160	168,748
PORK, CANNED, W-NJ	2,069,626	2,352,277
POTATOES, DEHYDRATED	1,155,300	725,548
POTATOES, WHOLE	805,344	249,092
SPINACH, CANNED	876,495	312,111
SWEET POTATOES, SYRUP	665,304	230,993
TOMATO JUICE, CANNED	895,101	193,524
TOMATO SAUCE	563	174
TOMATOES, CANNED	676,728	252,399
Total Section 6/32 Type	56,085,168	$25,326,530
SECTION 416-TYPE:		
CEREAL, DRY CORN	1,054,894	1,200,049
CEREAL, DRY RICE	1,092,239	1,306,566
CEREAL, DRY WHEAT	36,234	18,831
CEREAL, INFANT RICE	245,052	357,987
CEREAL, WHEAT	128,076	139,447
FARINA	2,606,667	848,711
FORMULA, INFANT	5,172,939	5,661,386
MILK, EVAPORATED	17,151,160	7,182,704
PEANUT BUTTER	2,034,576	1,634,844
RICE, MILLED	2,684,736	479,272
Total Section 416-Type	32,204,573	$18,829,797
Anticipated Adjustment		2,246,847
Total Commodity Entitlement	88,291,741	$46,403,174

BONUS COMMODITIES		
SECTION 416-TYPE:		
BUTTER	1,595,592	2,083,491
CHEESE PROCESS	8,538,180	10,594,632
CORNMEAL	7,162,050	834,176
HONEY	1,405,872	1,130,694
MILK, NFD	7,069,512	6,416,506
RICE, MILLED		
Total Section 416 Type	25,771,206	$21,059,499
Total Bonus Commodities	25,771,206	$21,059,499
GRAND TOTAL (Entitlement & Bonus)	114,062,947	$67,462,673

SOURCE: Preliminary food orders for fiscal year 1989

SURPLUS COMMODITY DONATIONS TO CHARITABLE INSTITUTIONS AND SUMMER CAMPS

STATUS OF PROGRAM

Under section 416 price support and section 32 surplus removal authorities, commodities are acquired by the Commodity Credit Corporation (CCC) and the Agricultural Marketing Service (AMS) and are made available at no cost to the Surplus Commodity Donations Program administered by FNS.

Commodities are distributed to nonprofit charitable institutions serving needy persons and to summer camps for children. To be eligible, an institution must be nonprofit and serve meals on a regular basis. Among the charitable institutions receiving donated commodities are: homes for the elderly, hospitals that offer general and long term health care, soup kitchens, meals-on-wheels programs and orphanages that do not participate in any of the Child Nutrition Programs. Similar rules apply to both institutions and summer camps. Those camps participating in the Summer Food Service Program are not eligible to receive commodities through this program.

In Fiscal Year 1989, foods valued at $115.0 million were distributed to charitable institutions. Foods valued at $3.2 million were distributed to summer camps.

SUMMER CAMPS AND CHARITABLE INSTITUTIONS
Quantity and Value of Commodities

By Commodity, Fiscal Year 1989

ENTITLEMENT COMMODITIES	Summer Camps		Charitable Institutions	
	Pounds	Dollars	Pounds	Dollars
SECTION 416-TYPE:				
BULGUR			168,000	$22,383
CORNMEAL			29,000	3,428
FLOUR			123,650	16,588
GRITS, CORN			1,563,400	174,885
MACARONI	793,480	$194,134	9,153,500	2,215,397
OATS, ROLLED			526,560	106,661
OIL, SOYBEAN	20,000	5,420	4,811,862	1,279,623
OIL, VEGETABLE	813,951	286,407	20,865,589	7,482,098
PEANUT BUTTER	576,169	458,763	10,902,897	8,571,532
PEANUT GRANULES	2,289	2,065	881,559	818,543
PEANUTS, ROASTED	297,960	252,904	3,973,896	3,394,610
RICE, BROWN			33,725	66,573
RICE, MILLED	252,500	47,211	11,288,450	2,021,241
SHORTENING, LIQUID VEG	36,960	13,875	2,400,035	896,856
SHORTENING, VEGETABLE	501,804	216,924	16,061,650	6,594,000
SPAGHETTI, ENRICHED	486,820	122,432	6,026,320	1,533,434
WHEAT, ROLLED	13,000	2,686	2,227,010	389,574
Total Section 416-Type	3,794,933	$1,602,821	91,037,103	$35,587,426
Total Commodity Entitlement	3,794,933	$1,602,821	91,037,103	$35,587,426
BONUS COMMODITIES				
SECTION 32-TYPE:				
BEEF, CANNED W/J-ORIGIN			321,335	415,494
CHERRIES, FRZ	4,500	1,702	1,026,210	384,494
DATE PIECES			676,080	512,199
EGGS, WHOLE, FROZEN			420,210	201,323
FIGS, DRIED			866,100	767,456
PEARS, D'ANJOU FRESH			3,802,815	893,274
PRUNES, DRIED, PITTED-BONUS	7,500	4,551	3,165,425	1,919,261
Total Section 32 Type	12,000	$6,253	10,278,175	$5,093,501
SECTION 416-TYPE:				
BUTTER	705,744	977,391	32,079,572	43,831,249
BUTTER PATTIES, SOC	14,400	22,356	38,400	59,616
CHEESE PROCESS	98,460	121,354	8,848,110	10,905,305
CHEESE, CHEDDAR	132,840	156,421	3,136,636	3,693,392
CORNMEAL	91,000	10,759	6,366,500	724,510
FLOUR	1,232,000	173,046	81,743,400	10,891,635
HONEY	117,060	88,263	3,274,752	2,478,107
MILK, NFD	14,800	11,064	2,269,438	1,705,381
Total Section 416 Type	2,406,304	$1,560,654	137,756,808	$74,289,195
Total Bonus Commodities	2,418,304	$1,566,907	148,034,983	$79,382,696
GRAND TOTAL (Entitlement & Bonus)	6,213,237	$3,169,728	239,072,086	$114,970,122

SOURCE: Preliminary food orders for fiscal year 1989

SUMMER CAMPS AND CHARITABLE INSTITUTIONS
Value of Surplus Commodity Donations

Fiscal Year 1989

STATE OR TERRITORY	Summer Camps	Charitable Institutions	TOTAL
Alabama	$25,203	$1,968,687	$1,993,890
Alaska	0	229,353	229,353
Arizona	23,368	2,090,262	2,113,630
Arkansas	24,742	1,205,644	1,230,386
California	124,404	14,428,290	14,552,694
Colorado	24,236	1,325,080	1,349,316
Connecticut	68,970	974,213	1,043,183
Delaware	2,056	488,508	490,564
District of Columbia	0	519,720	519,720
Florida	88,269	5,306,558	5,394,827
Georgia	0	2,099,146	2,099,146
Hawaii	2,884	310,131	313,015
Idaho	28,518	481,644	510,162
Illinois	20,658	3,316,611	3,337,269
Indiana	51,916	2,358,920	2,410,836
Iowa	116,437	1,437,067	1,553,504
Kansas	0	1,198,904	1,198,904
Kentucky	23,335	1,716,713	1,740,048
Louisiana	15,481	3,870,252	3,885,733
Maine	90,953	342,978	433,931
Maryland	26,083	3,718,234	3,744,317
Massachusetts	0	1,277,257	1,277,257
Michigan	0	3,769,818	3,769,818
Minnesota	47,661	2,027,053	2,074,714
Mississippi	39,097	1,930,118	1,969,215
Missouri	131,872	2,739,108	2,870,980
Montana	0	401,781	401,781
Nebraska	24,388	640,030	664,418
Nevada	4,205	844,003	848,208
New Hampshire	134,895	356,301	491,196
New Jersey	0	1,470,425	1,470,425
New Mexico	52,060	414,550	466,610
New York	720,416	10,283,439	11,003,855
North Carolina	44,369	1,883,572	1,927,941
North Dakota	44,210	517,987	562,197
Ohio	0	3,443,034	3,443,034
Oklahoma	30,946	2,277,839	2,308,785
Oregon	112,680	1,552,072	1,664,752
Pennsylvania	258,275	5,477,791	5,736,066
Rhode Island	0	453,373	453,373
South Carolina	44,620	2,013,015	2,057,635
South Dakota	11,650	327,762	339,412
Tennessee	22,698	1,589,168	1,611,866
Texas	213,661	10,250,516	10,464,177
Utah	0	657,970	657,970
Vermont	49,022	503,771	552,793
Virginia	193,475	1,069,599	1,263,074
Washington	187,143	2,870,529	3,057,672
West Virginia	38,492	501,073	539,565
Wisconsin	12,918	2,873,225	2,886,143
Wyoming	16,073	425,121	441,194
American Samoa	0	0	0
Freely Associated States	0	0	0
Guam	670	1,814	2,484
N. Mariana Islands	0	0	0
Puerto Rico	0	621,861	621,861
Virgin Islands	0	70,214	70,214
Indian Tribes	0	0	0
DOD Army/AF/USMC/NAVY	0	0	0
Undistributed	-23,281	48,018	24,737
TOTAL	$3,169,728	$114,970,122	$118,139,850

SOURCE: Preliminary food orders for fiscal year 1989

FOOD AND NUTRITION SERVICE

The estimates include proposed changes in the language of this item as follows (new language underscored; deleted matter enclosed in brackets):

Temporary Emergency Food Assistance Program (TEFAP)

For necessary expenses to carry out the Temporary Emergency Food
1 Assistance Act of 1983, as amended, [$50,000,000: Provided, That, in
accordance with section 202 of Public Law 98-92, these funds shall be
available only if the Secretary determines the existence of excess
2 commodities] $170,000,000, of which $120,000,000 shall be for the
purchase of commodities that shall be purchased first from Federally
financed Commodity Credit Corporation commodities, subject to the
availability of commodities, and of which $50,000,000 shall be for
administrative costs incurred by States and emergency feeding
organizations.

[For purchases of commodities to carry out the Temporary Emergency Food Assistance Act of 1983, as amended by section 104 of the Hunger Prevention Act of 1988, $120,000,000.]

The first change deletes a requirement that is no longer necessary.

The second change continues the expiring TEFAP by providing for the purchase of commodities from the CCC, and on the open market if appropriate CCC commodities are not available. This ensures that a minimum of $120,000,000 in commodities is available for TEFAP.

TEMPORARY EMERGENCY FOOD ASSISTANCE PROGRAM

Appropriations Act, 1990	$170,000,000
Budget Estimate, 1991	170,000,000
Change in Appropriation	0

Adjustments in 1990		
Appropriation Act, 1990	$170,000,000	
Gramm-Rudman-Hollings Reduction (P.L. 99-177)	-605,000	
Adjusted base for 1990		169,395,000
Budget estimate, Current Law, 1991		170,000,000
Increase over adjusted 1990		605,000

SUMMARY OF INCREASES
(On basis of adjusted appropriation)

Item of Change	1990 Estimated	Program Change	1991 Estimated
Temporary Emergency Food Assistance	$169,395,000	+$605,000	$170,000,000

PROJECT STATEMENT
(On basis of appropriation)

Project	1989 Actual	1990 Estimated	Increase	1991 Estimated
Administrative Costs	$ 50,000,000	$ 49,822,000	+$178,000	$ 50,000,000
Commodity Procurement	120,000,000	119,573,000	+ 427,000	120,000,000
Total Available or Estimate	$170,000,000	$169,395,000	+$605,000	$170,000,000
Gramm-Rudman-Hollings Reduction	—	605,000	-605,000	—
Total Appropriation	$170,000,000	$170,000,000	—	$170,000,000

EXPLANATION OF PROGRAM

Overview of Program Development. The Temporary Emergency Food Assistance Program (TEFAP) evolved from the Special Dairy Distribution Program which began December 11, 1981, with the release of 30 million pounds of cheese. The program has the dual goals of reducing government held dairy surpluses and providing emergency food assistance to low income individuals and households. TEFAP was formally authorized in 1983 by Section 204 of Public Law 98-8 including the provision of funds to State and local agencies to share some of the cost of intrastate distribution of the commodities.

Public Law 98-92 appropriated funds for Fiscal Year 1983 and authorized funds through Fiscal Year 1985 for costs of storage and intrastate distribution of CCC commodities donated to individuals by States. Public Law 100-77 authorized funds through Fiscal Year 1988 for this purpose.

The Hunger Prevention Act of 1988 authorized for Fiscal Years 1989 and 1990, $50 million for continued support of State administrative activities and $120 million for the purchase and distribution of additional commodities that are high in nutrient content, as well as safely and easily stored and used. The purchased commodities are in addition to surplus commodities that can be made available from USDA inventories. This program expires at the end of Fiscal Year 1990.

Eligibility. Commodities are distributed to the States which, in turn, provide them to low income and unemployed persons, according to income-based eligibility criteria set by the States. Commodities are allocated to States using a formula based on the number of unemployed persons and persons in poverty.

Benefit. USDA provides commodities and cash subsidies for State and local expenses incurred for storage and distribution of USDA donated commodities. USDA will distribute butter, flour, cornmeal and honey in Fiscal Year 1990. USDA does not project sufficient acquisition of commodities through normal price support and surplus removal programs to distribute cheese, non-fat dried milk or rice in Fiscal Year 1990. However, through the Hunger Prevention Act of 1988, funds have been provided so that USDA may purchase foods high in nutrient density specifically for distribution via TEFAP.

In Fiscal Year 1990, USDA plans to purchase and distribute peanut butter, canned vegetarian beans, canned green beans, canned pork and raisins.

Administrative funds are distributed by the Food and Nutrition Service (FNS) to States through grants. Allocation of the funds to States is based on a formula which considers the States' number of unemployed persons and the number of persons with incomes below the poverty level.

State/Federal Responsibilities. TEFAP operates as a Federal/State partnership under agreements entered into between FNS and State agencies. Within the States, distribution to emergency feeding organizations and receipt of payments for storage and distribution is the responsibility of State distributing agencies. States are responsible for requesting commodities only in quantities that can be efficiently utilized by emergency feeding organizations, establishing criteria for determining the eligibility of households to receive commodities, and managing the distribution of commodities to local organizations. States are also responsible for ensuring that local emergency feeding organizations comply with all Federal program regulations and requirements.

State administrative costs are subsidized by the Federal Government. By law, States must pass down at least 40 percent of their administrative funding to local organizations. Over two-thirds (68 percent) of all State distributing agency costs are for contracted services such as warehousing and delivery of commodities.

The Federal Government pays 100 percent of the costs of surplus commodities donated to States, plus $120 million in purchased commodities and $50 million administrative funds. USDA also pays for processing the commodities into household size packages, and shipping them to locations within the states.

JUSTIFICATION OF INCREASES

(1) An increase of $605,000 for the temporary storage and distribution of commodities and for the purchase of commodities.

Need for Change. This program is recommended for continuation in Fiscal Year 1991. The increase in funding represents the amount sequestered in Fiscal Year 1990 under Public Law 99-170.

Nature of Change. The funding requested will maintain the current level of support for purchasing commodities and sharing of administrative costs with the States, and ensure the availability of commodities.

TEMPORARY EMERGENCY FOOD ASSISTANCE PROGRAM

STATUS OF PROGRAM

Funds for the Temporary Emergency Food Assistance Program (TEFAP) are provided to States to help finance the State and local cost of intrastate storage and distribution of donated commodities. A total of $255.2 million in bonus and purchased commodities were provided for Fiscal Year 1989 for household distribution.

Current Activities

TEFAP commodities and funds for intra state distribution are allocated to the States based on a formula which considers the unemployment rates in the States and the number of persons in each State with incomes below the poverty level. During Fiscal Year 1989, $50 million was appropriated and distributed.

Bonus commodities totaling over 275.5 million pounds and valued at $135.2 million were donated to the States during Fiscal Year 1989 by the USDA. These commodities include butter, cornmeal, flour and honey. The additional commodities purchased and donated for household distribution included peanut butter, canned beans, canned pork, raisins, and egg mix. They total 140.8 million pounds. Both donated and purchased commodities are distributed to the needy through the combined efforts of Federal, State, and local governments, private voluntary organizations and volunteer ad hoc efforts.

Once donated foods are made available to States, the overall organization and administration of the program becomes the responsibility of State agencies. Each State is responsible for selecting emergency feeding organizations to distribute the commodities and for determining the eligibility of persons to participate.

FY 1989 TEFAP Summary
(millions)

	Dollars	Pounds
Administrative Funding	50.0	——
Commodities		
Bonus Commodities	135.2	275.5
Commodity Procurement	120.0	140.8
Total	$305.2	416.3

TEMPORARY EMERGENCY FOOD ASSISTANCE PROGRAM
Administrative Expense Funding

Fiscal Years 1989-1991

State or Territory	Actual 1989	Estimated 1990	Estimated 1991
Alabama	$1,146,668	$1,102,465	$1,106,403
Alaska	0	89,819	90,140
Arizona	638,172	614,203	616,397
Arkansas	687,840	702,225	704,734
California	5,072,868	4,977,622	4,995,406
Colorado	552,220	579,186	581,256
Connecticut	417,596	439,206	440,775
Delaware	101,588	108,407	108,794
District of Columbia	139,606	167,550	168,148
Florida	2,012,536	2,400,603	2,409,179
Georgia	1,381,036	1,412,045	1,417,090
Hawaii	141,480	138,101	138,594
Idaho	213,068	189,149	189,825
Illinois	2,462,864	2,293,482	2,301,676
Indiana	965,451	856,722	859,783
Iowa	452,532	447,319	448,917
Kansas	404,672	399,459	400,887
Kentucky	1,080,040	1,013,116	1,016,736
Louisiana	1,393,672	1,333,564	1,338,328
Maine	229,340	300,302	301,375
Maryland	728,948	720,393	722,967
Massachusetts	866,240	930,841	934,167
Michigan	2,120,583	1,989,293	1,996,400
Minnesota	614,108	679,300	681,727
Mississippi	823,216	916,121	919,394
Missouri	1,008,560	1,003,136	1,006,720
Montana	185,838	163,219	163,802
Nebraska	243,080	237,558	238,407
Nevada	166,120	160,398	160,971
New Hampshire	126,064	214,140	214,905
New Jersey	1,245,367	1,169,655	1,173,834
New Mexico	398,980	364,451	365,753
New York	3,385,576	3,628,945	3,641,910
North Carolina	1,093,552	1,202,096	1,206,391
North Dakota	120,908	121,238	121,671
Ohio	2,022,120	1,983,457	1,990,543
Oklahoma	678,724	656,379	658,724
Oregon	575,349	521,711	523,575
Pennsylvania	2,152,352	2,022,408	2,029,633
Rhode Island	143,324	157,602	158,165
South Carolina	722,252	712,748	715,294
South Dakota	147,144	152,579	153,124
Tennessee	1,216,052	1,138,616	1,142,684
Texas	3,937,772	3,745,916	3,759,299
Utah	262,292	255,981	256,896
Vermont	83,817	90,304	90,627
Virginia	954,184	921,367	924,658
Washington	839,628	815,946	818,862
West Virginia	479,292	458,517	460,155
Wisconsin	749,907	731,127	733,739
Wyoming	73,156	76,885	77,160
American Samoa	0	0	0
Freely Associated States	0	0	0
Guam	28,588	28,349	28,450
N. Mariana Islands	10,928	10,848	10,887
Puerto Rico	2,272,984	2,247,374	2,255,404
Virgin Islands	28,772	28,557	28,659
Indian Tribes	0	0	0
DOD Army/AF/USMC/NAVY	0	0	0
Undistributed	0	0	0
TOTAL	$49,999,026	$49,822,000	$50,000,000

TEMPORARY EMERGENCY FOOD ASSISTANCE PROGRAM
Quantity and Value of Commodities

By Commodity, Fiscal Year 1989

ENTITLEMENT COMMODITIES	Pounds	Dollars
SECTION 6/32 TYPE:		
BEANS, VEGETARIAN	27,527,640	$8,351,823
EGG MIX	9,077,400	13,973,583
PORK, CANNED W/NJ	41,438,709	46,835,191
RASINS	8,528,160	6,067,117
Total Section 6/32 Type	86,571,909	$75,227,714
ENTITLEMENT COMMODITIES		
SECTION 416-TYPE:		
PEANUT BUTTER	54,264,000	44,990,686
Total Section 416-Type	54,264,000	$44,990,686
Anticipated Adjustment		-218,400
Total Commodity Entitlement	140,835,909	$120,000,000
BONUS COMMODITIES		
SECTION 416-TYPE:		
BUTTER	63,444,361	86,864,026
CORNMEAL	48,951,021	5,777,682
FLOUR	134,038,746	18,774,918
HONEY	28,648,972	23,584,019
WHEAT	407,266	163,488
Total Section 416-Type	275,490,366	$135,164,133
GRAND TOTAL (Entitlement & Bonus)	416,326,275	$255,164,133

SOURCE: Preliminary food orders for fiscal year 1989

TEMPORARY EMERGENCY FOOD ASSISTANCE PROGRAM
Surplus Commodity Donations

Fiscal Year 1989

State or Territory	Pounds of Food	Value in Dollars
Alabama	9,907,008	$6,164,441
Alaska	20,112	13,797
Arizona	6,193,716	3,589,615
Arkansas	6,244,188	3,654,587
California	45,155,604	27,307,585
Colorado	5,413,752	3,372,722
Connecticut	3,663,888	2,204,965
Delaware	789,708	592,584
District of Columbia	1,346,598	1,092,963
Florida	16,460,934	10,793,251
Georgia	10,907,802	6,703,752
Hawaii	1,002,882	828,205
Idaho	1,930,992	1,233,079
Illinois	21,478,506	13,237,854
Indiana	8,542,410	5,131,050
Iowa	4,494,372	2,458,544
Kansas	3,944,772	2,422,511
Kentucky	8,951,354	5,429,130
Louisiana	11,780,400	7,402,835
Maine	1,992,192	1,262,445
Maryland	7,287,204	4,784,914
Massachusetts	6,924,684	4,089,008
Michigan	18,205,710	10,873,604
Minnesota	6,060,930	3,513,708
Mississippi	7,104,738	4,755,535
Missouri	6,876,654	4,308,323
Montana	1,902,168	1,081,471
Nebraska	2,222,598	1,329,401
Nevada	1,546,950	967,374
New Hampshire	1,273,212	707,076
New Jersey	11,331,816	6,589,979
New Mexico	3,213,888	1,927,237
New York	29,455,842	18,603,653
North Carolina	8,387,568	4,958,028
North Dakota	1,149,702	703,381
Ohio	18,203,328	10,837,342
Oklahoma	7,143,852	3,872,231
Oregon	4,865,262	2,939,930
Pennsylvania	17,792,856	10,458,179
Rhode Island	889,272	501,884
South Carolina	4,446,288	2,340,720
South Dakota	1,096,902	670,022
Tennessee	10,271,862	6,509,213
Texas	34,269,922	20,851,402
Utah	2,183,016	1,322,205
Vermont	993,702	633,860
Virginia	7,051,836	4,408,767
Washington	7,589,046	4,724,110
West Virginia	4,865,154	2,744,772
Wisconsin	7,125,048	4,255,445
Wyoming	1,064,484	556,935
American Samoa	0	0
Freely Associated States	0	0
Guam	33,600	26,873
N. Mariana Islands	42,000	5,977
Puerto Rico	3,005,790	3,264,424
Virgin Islands	228,201	151,235
Indian Tribes	0	0
DOD Army/AF/USMC/NAVY	0	0
Undistributed	0	0
TOTAL	416,326,275	$255,164,133

SOURCE: Preliminary food orders for fiscal year 1989

FOOD AND NUTRITION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Food Program Administration:

For necessary administrative expenses of the domestic food programs
1 funded under this Act, [$93,026,000; of which $5,000,000 shall be available only for simplifying procedures, reducing overhead costs, tightening regulations, improving food stamp coupon handling, and assistance in the prevention, identification, and prosecution of fraud and other violations of law] $96,778,000: Provided, That this appropriation shall be available for employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed $150,000 shall be available for employment under 5 U.S.C. 3109.

This change deletes a provision applicable to Fiscal Year 1990 and is no longer necessary.

FOOD PROGRAM ADMINISTRATION

Appropriations Act, 1990	$93,026,000
Budget Estimate, 1991	96,778,000
Increase in Appropriation	+3,752,000

Adjustments in 1990		
Appropriations Act, 1990	$93,026,000	
Gramm-Rudman-Hollings Reduction (P.L. 99-177)	-1,299,000	
Adjusted base for 1990		91,727,000
Budget Estimate, 1991		96,778,000
Increase over adjusted 1990		+5,051,000

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

Item of Change	1990 Estimated	Pay Cost	Program Changes	1991 Estimated
Child Nutrition	$29,665,000	+$571,000	+$1,061,000	$31,297,000
Special Milk	165,000	+3,000	+7,000	175,000
Supplemental Feeding	7,503,000	+144,000	+270,000	7,917,000
Food Stamp	52,468,000	+1,009,000	+1,880,000	55,357,000
Food Donations	1,926,000	+37,000	+69,000	2,032,000
Total Available	91,727,000	+1,764,000	+3,287,000	96,778,000

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1989 Actual		1990 Estimated		Increase or Decrease	1991 Estimated	
	Amount	Staff Years	Amount	Staff Years		Amount	Staff Years
1. Child Nutrition	$28,727,000	580	$29,665,000	610	+$1,632,000	$31,297,000	610
2. Special Milk	160,000	3	165,000	3	+10,000	175,000	3
3. Supplemental Feeding	7,266,000	147	7,503,000	154	+414,000	7,917,000	154
4. Food Stamp	50,810,357	1,025	52,468,000	1,078	+2,889,000	55,357,000	1,078
5. Food Donations	1,865,000	38	1,926,000	40	+106,000	2,032,000	40
Unobligated balance	394,643	—	—	—	—	—	—
Total available or estimate	89,223,000	1,793	91,727,000	1,885	+5,051,000(1)	96,778,000	1,885
Gramm-Rudman-Hollings Reduction	—	—	1,299,000	—	-1,299,000	—	—
Total, Appropriation	89,223,000	1,793	93,026,000	1,885	+3,752,000	96,778,000	1,885

EXPLANATION OF PROGRAM

The Food Program Administration (FPA) appropriation funds Federal salaries and expenses necessary for the Food and Nutrition Service (FNS) to administer the U.S. Department of Agriculture's (USDA) domestic food assistance programs.

Overview. FNS was established August 8, 1969 to administer the food assistance programs. The program goals are to provide needy persons with access to a more nutritious diet, to improve the eating habits of the nation's children, and to help America's farmers by providing an outlet for the distribution of foods purchased under farmer assistance authorities.

USDA began food distribution programs more than fifty years ago and used a variant of the current Food Stamp Program in the 1930's. Over the years, the programs shown in the following table were established and are currently in operation. Most FNS programs are operated in a Federal/State partnership, with State and local agencies administering the program at the actual service delivery level. The general complexity of the programs and the number of State entities that FNS must work with are key factors influencing FPA costs.

Year Begun	Program Name	Number and Types of Non-federal Partners	
1946	National School Lunch Program (NSLP)	59 55	State Education Agencies Food Distribution Agencies (Also, 20,000 School Food Authorities)
1955	Special Milk Program		(Essentially the same as NSLP)
1961	Food Stamp Program	53 220,000 10,000 37	State Agencies Food Retailers Financial Institutions Federal Reserve Banks
1965	Nutrition Program for the Elderly	59	State Agencies
1966	School Breakfast Program		(Essentially the same as NSLP)
1968	Child Care Food Program		(Essentially the same as NSLP)
1969	Summer Food Service Program		(Essentially the same as NSLP)
1969	Commodity Supplemental Food Program	20	State Agencies
1972	Special Supplemental Food Program for Women, Infants, and Children (WIC)	86 50,000	State Agencies (Also, Food Retailers)
1976	Food Distribution Program on Indian Reservations	6 86	State Agencies Indian Tribes
1981	Temporary Emergency Food Assistance Program	55	State Agencies
1982	Nutrition Assistance for Puerto Rico	1	State Agency

Responsibilities. FNS is responsible for paying the benefit costs and for paying a part of State administrative expenses for most food assistance programs. Depending upon how States have chosen to administer their part of the Federal/State partnership, FNS may work with the State department of human services, department of health, department of education, department on aging, department of agriculture, and/or State level commissions of other administrative units. When State law prohibits a State from disbursing program funds or where no State agency has assumed administrative responsibility, FNS assumes operation of the programs.

FNS implements program statutes through promulgation of regulations and instructions. FNS staff provide training and assistance to State Agencies, assure proper funds allocation and control, conduct program monitoring and evaluation, and develop program policy.

Organization. Administrative functions of FNS are managed by an Administrator, an Associate Administrator and four Deputy Administrators. Each Deputy Administrator is responsible for management of program or administrative functions, as follows:

- Food Stamp Program - policy and planning related to the Food Stamp Program including retail store compliance and monitoring investigations through field locations.
- Special Nutrition Programs - program planning, development and oversight for Child Nutrition, Supplemental Feeding Programs, Food Donations Programs, National Commodity Processing and nutrition and technical services.
- Financial Management - accounting, budget and management information functions for all FNS programs.
- Management - personnel, equal employment opportunity, automated data processing and general administrative services.

An Office of Regional Operations manages the seven regional offices, 66 field offices, and 22 additional satellite locations. These offices maintain direct contact with State agencies which administer the FNS programs and also conduct on-site management reviews of State operations and the 220,000 retailers authorized to accept food stamps.

For Fiscal Year 1990, FNS will concentrate on improving program administration and operations within existing law. The agency believes that greater emphasis on all aspects of program integrity and efficiency will result in improved benefit delivery to recipients. Major areas of emphasis in the administration of FNS programs include:

- Implementation and operation of P.L. 100-237 mandated food distribution program enhancements which will make the system more responsive to recipient agencies, and implementation of P.L. 100-435 which refines key programs.
- Implementation and monitoring of welfare reform demonstrations, and evaluating their cost and effectiveness.
- Management evaluations of State operations, carried out by regional office personnel, by focusing on compliance with program regulations as well as general operational concerns, including local level reviews. In addition to management reviews, FNS is placing increased emphasis on systematic reviews of financial operations and reporting.
- Food Stamp Program quality control reviews, to assess the States' liabilities due to excessive error rates in issuance of benefits, and the determination of enhanced funding for States with low error rates. New standards and procedures for the quality control program established by the Hunger Prevention Act of 1988 are currently being implemented.
- Continued acquisition of new equipment and training of staff aimed at increasing integration among existing systems and efficiency of financial and program operation data handling.
- Management reviews and technical assistance aimed at increasing the effectiveness of the Employment and Training Program in the Food Stamp Program.
- Continue current demonstration projects testing the impact of Electronic Benefit Transfer technology on the Food Stamp issuance, redemption and reconciliation process.
- Implementation of P.L. 101-147, the Child Nutrition and WIC Reauthorization Act.
- Special Nutrition Program activities to improve program integrity, accountability, and quality control particularly for the school, child and adult care feeding programs, and the WIC program.

- Continued development of the Unified Review System to assure that it effectively reduces over counting and claiming problems in the special nutrition programs; and exploration of alternate counting and claiming methods that may be able to reduce both burden and errors.

- Implementation of WIC vendor management improvement initiatives and proposed and final regulations to strengthen the integrity of vendor selection, training, monitoring and sanctioning.

- Implementation of the Processed Commodity Information Management System (PCIMS) which will create one database for three USDA Agencies to use to manage the Commodity Programs, and will make the programs more responsive to recipient agencies.

JUSTIFICATION OF INCREASES AND DECREASES

(1) An increase of $5,051,000 for salaries and benefits and other expenses consisting of:

(a) An increase of $648,000 for partial funding of the 1989 pay raise and $1,116,000 which represents 50 percent of the 1991 pay raise. The remaining 50 percent of the 1991 pay raise and the total 1990 pay raise are being absorbed.

(b) An increase of $1,831,000 to fund program initiatives consisting of:

Need for Change. The funds requested will provide the agency with resources to protect the Federal interest and ensure the quality of the results in several welfare reform projects; resolve concerns with the administration of the commodity programs, improve the operation of the Food and Nutrition Service financial management systems and continue progress on the automated data processing systems. Increased emphasis and resources will be devoted to program integrity review and enforcement in vital areas of the special nutrition programs.

Nature of Change. An increase of $1,831,000 for additional support for continued projects and new initiatives in Fiscal Year 1991 as follows:

— Program Accountability for Child Nutrition and WIC —The Federal Review System currently in operation is directed solely toward the National School Lunch Program and is funded directly with program funds.

Establishing a new Unified Review System within Food Program Administration would allow the Agency to direct efforts toward whichever programs present the most serious accountability vulnerabilities in a given year. Of particular concern is the ability to consider accountability of the Special Supplemental Food Program for Women, Infants and Children and the Commodity Distribution Program. Providing funding in FPA in 1991 would allow flexibility for redirection of resources as necessary based on existing circumstances.

— Food Stamp Employment and Training — Program efforts to date have emphasized the design and implementation of program components to conform to statutory and regulatory requirements. The focus in Fiscal Year 1990 will shift to "managing" the programs, as States are faced with meeting performance standards. As with any developing program function, Federal staff efforts through 1990 are heavily oriented toward broad-based technical assistance to achieve compliance, with growing emphasis on the quality of program, monitoring program costs, and the integrity of program reporting. Fiscal Year 1991 will see the implementation of outcome-based performance measures, integration of Food Stamp E&T activities with the E&T efforts in the Aid to Families with Dependent Children Program, and increasing emphasis controlling program costs. Staff resources available through Fiscal Year 1990 simply cannot absorb these additional functions. Beyond current levels, staff are needed to define and ensure reporting of uniform, accurate, valid, and timely data. Records of program costs need to be reviewed to ensure only actual, appropriate, and approved costs are being charged to the Food Stamp Program. Systems to collect and evaluate performance data must be designed, implemented and monitored.

(c) An increase of $1,456,000 for travel and other operating expenses.

Need for Change. In addition to standard inflationary factors, increases are needed to restore travel funding to the past year minimum level, and to provide for advances in communication and automation technologies.

Nature of Change. Travel costs are increased by $214,000 to $2,906,000 in Fiscal Year 1991. This estimate provides for 4.2 percent inflation to restore the Agency to approximately the Fiscal Year 1989 level. This restoration in travel is needed for critical program compliance and monitoring activities.

All Other includes an increase of $1,242,000 for other operating services increases. This increase provides $500,000 for minimal computer equipment replacement and installation throughout the Agency. An additional $505,000 provides a 4.2 percent increase in the cost of ongoing staff-year support services including printing telecommunications, training, supplies, and other services. Also, an increase of $237,000 is included for central computer system usage costs, equipment maintenance lease increases, and metered mail implementation in the regional offices.

FOOD PROGRAM ADMINISTRATION

STATUS OF PROGRAM

The Food Program Administration appropriation provides Federal operating expenses for administering the food assistance programs of the Food and Nutrition Service (FNS). Included under this account are the Child Nutrition, Special Milk, Special Supplemental Food Program for Women, Infants, and Children (WIC), Commodity Supplemental Food, Food Stamp, and Food Donations Programs for Selected Groups. Also included are Surplus Commodity Donations activities, National Commodity Processing and Nutrition Assistance for Puerto Rico. A description of the administrative role of the FNS staff during Fiscal Year 1989 is as follows:

Child Nutrition Programs

The Child Nutrition Programs--the National School Lunch, School Breakfast, Summer Food Service and Child and Adult Care Food Programs--serve nutritious meals to needy and other children attending eligible schools, child care institutions, and summer recreational programs. FNS works primarily through State agencies, providing cash and commodities for use in preparing and serving meals. FNS furnishes administrative and program assistance to State agencies and participating schools and institutions. FNS also develops the policies, procedures and standards used in administering the programs and determining eligibility.

The FNS regional offices directly administer the National School Lunch and School Breakfast Program for residential child care institutions and private schools where the State educational agency does not disburse funds. FNS regional offices also directly administer the Summer Food Service Program/the Child and Adult Care Food Program for nonresidential child care institutions where no State agency has assumed administrative responsibility. Because of the great number and small size of individual centers and sponsors of day care homes participating in States directly administered by FNS Regional Offices, adequate review of participating sponsors requires extensive FNS staff resources. The Summer Food Service Program also continues to place heavy demands on Federal personnel due to the short term of the program and because FNS must directly administer the program in six States.

In Fiscal Year 1989, FNS directly administered the National School Lunch and School Breakfast Programs for private schools in five States, private residential child care institutions in six States, and public residential child care institutions in two states. In addition, FNS operated the Child Care Food Program in two States and the Summer Food Service Program in six States.

During Fiscal Year 1989, the Federal administration of the Child Nutrition Programs included these principal activities:

- Completed collection and analysis of nationwide data in the Child Care Food Program through the Key Element Review System, in order to more properly focus attention on potential problems and trends in the program.

- Published a final rule implementing the Accuclaim provisions of the meal counting and claiming regulation and held a national conference to assist States in their implementation to ensure uniform application of all the requirements. The purpose of this system is to improve the accuracy and meal counts in the National School Lunch Program.

- Revised the School Breakfast Programs (SBP) meal pattern to improve the nutritional quality of school breakfasts by adding a fourth food item and extending "Offer Versus Serve" to the SBP at local option. Pursuant to the Hunger Prevention Act of 1988, P.L. 100-435, for nutritional enhancement, the per-meal SBP reimbursement rate was increased by an additional three cents, effective July 1, 1989.

- Convened task forces (comprised of State and local cooperators) to assist in the improvement of existing guidance and to work on the identification and development of new guidance materials.

Special Commodity Initiatives

FNS, in cooperation with the Agricultural Marketing Service and the Agricultural Stabilization and Conservation Service, initiated a long-term project called the Special Commodity Initiative to improve the distribution and quality of commodities in Child Nutrition Programs. Projects for 1989 included:

- Finalizing uniform performance standards for State distributing agencies. Reviews were conducted by FNS to determine compliance with the standards. All State monitoring reports are being analyzed and an overall report will be prepared prior to finalizing performance standards in the regulations.

- Distribution of the Commodity Foods Newsletter. The newsletter is provided to over 20,000 school food authorities across the nation every three months during the school year.

- Distributing 30,000 copies of revisions to the Commodity Facts, and over 40,000 copies of Commodity Descriptions Instructions for technical assistance.

- Implementing changes in operations and procurement systems to improve predictability of commodity deliveries.

Implementation of Commodity Reform Act of 1988, P.L. 100-237

Major commodity legislation was enacted by Congress to improve commodity distribution systems at the Federal and State levels in all Federal food programs that distribute commodities. The major provisions of P.L. 100-237 being implemented in 1989 were:

- A provision requiring State distributing agencies to use commercial warehouse and distribution services unless approval is granted by FNS for an alternative system.

- Minimum performance standards the State distributing agencies must meet.

- A requirement that USDA establish a Food Distribution Advisory Council which shall meet semi-annually and annually report to Congress. The first meeting was held October 18-20, 1988 and the second meeting was held May 10-12, 1989. A report to Congress was submitted in October 1989.

- A requirement that USDA develop procedures to monitor States' compliance with the legislation and regulations.

- Specific requirements for States to follow if they charge assessment fees to recipients.

- A requirement that USDA provide technical assistance to recipients on how to use commodities, including recipes.

To date, five documents have been published in the Federal Register: one notice, two interim rules, one proposed rule and one final rule. Complete implementation of the final rule is required by July 1991.

Special Milk Program

The Special Milk Program provides cash to States to subsidize milk served to children in eligible nonprofit schools, child care centers, summer camps and similar institutions that do not participate in other Child Nutrition Programs and in certain schools with split session kindergartens. FNS directly administers the program for outlets in States which do not disburse funds to some participants, and for other outlets where no State agency has assumed administrative responsibility. During Fiscal Year 1989, FNS directly administered the Special Milk Program for private schools, summer camps and other institutions in seven States.

Special Supplemental Food Program for Women, Infants, and Children (WIC)

The WIC Program provides nutritious supplemental foods, nutrition education, and health care referrals through local health clinics to low income pregnant, postpartum, and breastfeeding women, and to infants and children up to five years of age who are found to be at "nutritional risk." FNS provides grant funds to State Departments of Health and others to permit the issuance of supplemental food instruments to eligible participants and pays for specified administrative costs including the cost of nutrition education. FNS also develops the policies, procedures, and standards used in administering the program and monitors State agency operations. In Fiscal Year 1989, the WIC Program was administered by 87 State agencies, including 50 States, 33 Indian agencies and the District of Columbia, Puerto Rico, Guam and the Virgin Islands.

In Fiscal Year 1989, FNS conducted the following principal activities:

- Responded to the 1988 OIG audit of the WIC State agency vendor monitoring systems.
- Issued final regulations to implement Public Law 100-356 regarding conversion authority in cost containment systems.
- Issued final regulations to implement provisions of the Fiscal Year 1989 Appropriations Act, P.L. 100-460, regarding mandated feasibility studies of cost containment systems by every State agency, and implementation of such systems where found to be practicable.
- Reviewed and approved feasibility studies submitted by State agencies in accordance with new regulations.
- Solicited grant proposals and awarded grants to 10 States to participate in the Farmers' Market Coupon Demonstration Project mandated by the Hunger Prevention Act of 1988, P.L. 100-435.

Commodity Supplemental Food Program (CSFP)

The Commodity Supplemental Food Program provides supplemental food to low-income pregnant, postpartum and breastfeeding women, infants, children up to age six and the elderly. The foods are purchased directly by the Department of Agriculture and are distributed through State and local agencies. The major activities performed by FNS include: determination of the quantity of food required and allocation of commodities to meet the requirements; interagency coordination of commodity purchases; program monitoring and review; and allocation of funds to States for administrative costs. During Fiscal Year 1989, the Commodity Supplemental Food Program was operated through 20 State agencies.

Food Stamp Program

The Food Stamp Program is in operation in all 50 States, the District of Columbia, the Virgin Islands and Guam. Its purpose is to give low income households access to a better diet by increasing their food purchasing power. The State agencies are responsible for certifying eligible households and issuing the food stamps. The major activities performed by FNS include: developing policies and procedures for the administration of the program, providing technical assistance to State agencies, reviewing State agency quality control activities, determining the effectiveness and efficiency of State agency administration, and allocating employment and training funds to the State agencies. In addition, FNS directly authorizes more than 220,000 retail and wholesale firms which are approved to accept food stamps; controls the printing of food stamps and the distribution to State agencies; maintains fiscal accountability for food stamps issued to participants; and, in cooperation with the Federal Reserve System, establishes processes for the redemption and destruction of food stamps.

During Fiscal Year 1989, FNS performed the following principal Food Stamp Program administrative activities:

- Continued work on several demonstration projects directed toward program simplification and testing alternative systems for issuing food stamp benefits.
- Distributed reports on Compliance Branch investigations of retailers authorized to accept food stamps from recipients. The Compliance Branch sends these reports of its investigations of retail food stores to FNS regional offices, which decide on appropriate penalties for any violations reported.
- Issued many Food Stamp Program regulations to implement several pieces of legislation. These included the Hunger Prevention Act of 1988 (P.L. 100-435), as well as the Disaster Assistance Act of 1988 (P.L. 100-387), Charitable Assistance and Food Bank Act of 1987 (P.L. 100-232), Immigration Reform and Control Act of 1986 (P.L. 99-603), Anti-Drug Abuse Act of 1986 (P.L. 99-570), and the Food Security Act of 1985 (P.L. 99-198).
- Acted upon 76 waiver requests, approving 55 (14 conditionally) and denying 21. Waivers of the regulations were requested in order to provide State agencies maximum flexibility to administer the program more effectively and efficiently.
- Coordinated the exchange of program management information initiatives among State agencies by funding interstate exchanges of expertise, publishing the State-to-State report, updating the Catalog of Program Improvement Activities, and sponsoring and speaking at conferences.
- Continued litigation and other action on quality control sanctions resulting in States agreeing to pay over $2.3 million for excess errors.
- Worked closely with State agencies to strengthen the integrity of food stamp issuance so that issuance losses continued to decline substantially. Also, FNS published a revision of the issuance regulations taking into consideration comments from nearly every State agency. Issuance reporting forms were also redesigned.
- Approved 53 Employment and Training Program State plans, allotted Federal funds for employment and training activities, and provided State agencies with guidance on E&T Program operations.

- Checked 6,474 stores for violations. Of this number, 3,145 of the stores were found to be violating Food Stamp Program regulations (48.6 percent), and 1,888 (29.2 percent) of the investigations disclosed violations serious enough to warrant disqualification or other sanction action by FNS.

Nutrition Assistance For Puerto Rico

For Fiscal Year 1989, FNS approved Puerto Rico's State Plan for: $873.21 million in benefits to clients participating in its Nutrition Assistance Program; $25.46 million to administer the program; and $9.58 million for the Commonwealth's Tick Eradication special project, for a total expenditure of $908.25 million.

Food Donations Programs for Selected Groups

Commodity programs which provide direct assistance to persons in need include: the Food Distribution Program on Indian Reservations, the Nutrition Program for the Elderly, and Soup Kitchen/Food Banks assistance.

- ### Food Distribution on Indian Reservations (FDPIR)

  FNS acquires and distributes agricultural commodities to needy persons and families on Indian reservations through FDPIR. Cash assistance is also provided to help finance the administrative cost of operating the program.

  The Food Stamp Act of 1977, which requires that a food distribution program be operated on Indian reservations that request it, also allows the Indian reservations to run FDPIR provided they meet specified administrative criteria. FNS provides the training and other assistance as needed.

  Training and other assistance provided to new reservations are primarily directed toward basic program operations, while the assistance given to more experienced reservations concentrates on the enhancement of program management.

- ### Nutrition Program for the Elderly

  The Nutrition Program for the Elderly provides commodities or cash-in-lieu of commodities for meals served in senior citizen centers and similar settings where participants can also receive social and rehabilitative services. The management and operation of this program is in the Administration on Aging (AOA) of the Department of Health and Human Services (DHHS). The meals served are the focal point for the nutrition projects which have the dual objectives of promoting better health and reducing the isolation that may occur in old age.

  The activities performed by FNS are receiving and processing States' orders for commodities and providing the commodities and cash-in-lieu of commodities.

Soup Kitchen/Food Banks

The Hunger prevention Act of 1988, Public law 100-435, authorized $40 million to purchase, process, and distribute commodities to soup kitchens and food banks. In Fiscal Year 1989, approximately 80 million pounds of commodities valued at $40 million were purchased and made available to States for distribution to soup kitchens and food banks.

Surplus Commodity Donations to Charitable Institutions and Summer Camps

The Surplus Commodity Donations Program provides commodities to nonprofit charitable institutions serving needy persons and to summer camps for children. These commodities are provided under section 416 Commodity Credit Corporation price support operations and section 32 surplus removal activities. Among the charitable institutions receiving donated commodities are homes for the elderly, hospitals, soup kitchens, meals-on-wheels programs, and orphanages that do not participate in one of the Child Nutrition Programs. FNS works through State agencies to provide these commodities. FNS furnishes administrative and program assistance to the cooperating State agencies and also develops the policies, procedures and standards used in administering the programs and determining eligibility.

Temporary Emergency Food Assistance Program

FNS allocates administrative funds and commodities to States based on the number of unemployed persons and the number of persons with incomes below the poverty level. During Fiscal Year 1989, FNS distributed $50 million for administration and $120 million worth of commodities were purchased and donated. In addition, $135.2 million worth of Commodity Credit Corporation commodities were donated.

Nutrition and Technical Services Support of Program Operations

The Nutrition and Technical Services staff provides technical support to FNS programs in the areas of nutrition science, nutrition education, food service management, and food/science technology. Nutritionists and food technologists at the Agency headquarters provide assistance and information to State and local agencies administering FNS programs.

During Fiscal Year 1989, food service and nutrition education accomplished the following:

- Developed Agency responses for coordinated USDA evaluation of reports on nutritional recommendations for school children from the National Academy of Sciences, National Cholesterol Education Program/National Institutes of Health, Kaiser Project Lean and the Year 2000 National Nutrition Objectives.
- Approved over 3,800 Child Nutrition labels this year. Streamlined CN label review and improved communications with other Federal agencies responsible for monitoring production of CN labeled products.
- Provided assistance to OIG in audits of processed products containing donated commodities and produced under State processing contracts.
- Issued regulations pertaining to competitive foods and to credit new foods toward meal pattern requirements. Developed proposed meal patterns for new Adult Day Care Food Program.
- Printed and distributed revised food service publications for Child Care Food Program.
- Developed guidance to implement new regulations in the School Breakfast Program.
- Developed a Commodity Cookbook for the Food Distribution Program on Indian Reservations (FDPIR). This was a cooperative project with the Indian Health Service, Department of Health and Human Services. The publication provides nutrition information and recipes which will encourage better utilization of USDA Commodity foods.

- Represented FNS on review panel to award cooperative agreements in support of national health promotion and disease prevention initiatives for the Office of Disease Prevention and Health Promotion, Public Health Service, DHHS. This involvement was part of the ongoing interdepartmental work FNS contributes to as a member of the Ad Hoc Committee on Health Promotion Through Schools coordinated by ODPHP.

- Planned and conducted a two day workshop with WIC State agency and university staff involved in projects related to dietary assessment methods. This information exchange helped to identify the strengths and weaknesses of current practices and suggests a directive for further FNS research. This pre-research project workshop helped to focus research efforts and better determine the level of effort needed based on current initiatives and state-of-the-art.

- Developed fact sheets for five household based USDA Commodity foods distributed to Temporary Emergency Food Assistance Program (TEFAP) participants during Fiscal Year 1989. The five fact sheets are on Peanut Butter, Dry Egg Mix, Pork with Natural Juices, Raisins, and Vegetarian Beans. Each fact sheet provides information on what is in the commodity, how to store it, food safety, how to prepare it, and nutritional information. Recipes using each commodity food were also included.

- Developed and coordinated the Annual Memorandum of Understanding with the Food and Nutrition Information Center, National Agricultural Library which provides technical assistance in the form of materials lending and reference services to cooperators in the Child Nutrition Programs, Special Supplemental Food Program for Women, Infants, and Children (WIC), Commodity Supplemental Food Program (CSFP), and Food Distribution Program on Indian Reservations (FDPIR), and Nutrition Education and Training Program (NET).

Regional Operations

Along with its headquarters in Alexandria, Virginia, FNS maintains seven regional offices. These regional offices supervise a network of 66 field offices and 22 satellite locations whose mission is to ensure compliance in the Food Stamp Program and provide various review and support services for the other food assistance programs. Each regional office provides leadership and direction in implementing FNS program policy, develops operational planning and strategy, maintains cooperative working relationships with State agencies, and executes State corrective actions when necessary. A regional office may also directly administer programs for schools and residential child care institutions where State educational agencies do not administer the program, as well as programs in child care institutions and summer program sites where no State agency has assumed administrative responsibility.

The regional office sites and the States currently in each region are as follows:

Northeast Region

Boston, Massachusetts

Connecticut
Maine
Massachusetts
New Hampshire
New York
Rhode Island
Vermont

Mid Atlantic Region

Robbinsville, New Jersey

Delaware
District of Columbia
Maryland
New Jersey
Pennsylvania
Puerto Rico
Virginia
Virgin Islands
West Virginia

Southeast Region

Atlanta, Georgia

Alabama
Florida
Georgia
Kentucky
Mississippi
North Carolina
South Carolina
Tennessee

Midwest Region

Chicago, Illinois

Illinois
Indiana
Michigan
Minnesota
Ohio
Wisconsin

Southwest Region

Dallas, Texas

Arkansas
Louisiana
New Mexico
Oklahoma
Texas

Mountain Plains Region

Denver, Colorado

Colorado
Iowa
Kansas
Missouri
Montana
Nebraska
North Dakota
South Dakota
Utah
Wyoming

Western Region

San Francisco, California

Alaska
American Samoa
Arizona
California
Guam
Hawaii
Idaho
Nevada
Northern Marianas
Oregon
Trust Territory
Washington

Debt Management

Debts owed to FNS arise from several sources, such as:

- Audits and investigations of State and local agencies and nonprofit institutions which receive funding from FNS.
- Investigations of retailers and wholesalers participating in the Food Stamp Program.
- Commodities which are lost or damaged in storage.
- Food Stamp coupons lost from State and local inventories.
- Claims against Food Stamp recipients for improper benefits (a large volume of small dollar amounts)
- Costs incurred from processing coupon shipments refused by State-contracted shipping points.

Highlights of Debt Management
Fiscal year 1988 - Fiscal Year 1989
(Excluding Food Stamp Recipient Claims)
($ Millions)

	1988	1989
Accounts receivable, ending balance	$67.7	$145.0
Collections	26.5	25.1
Litigation	14.8	66.4
Past Due	45.2	51.3

In Fiscal Year 1989, FNS debt management had a net increase of $67.4 million in outstanding Food Stamp quality control sanctions. These billings represent State liabilities through Fiscal Year 1984 only. Over 87 percent of the $78 million in total sanctions remain in litigation or appeal—or collection action has otherwise been suspended.

Accomplishments

- New receivables billed (less adjustments) of $102.9 million exceeded those of the previous year by 57 percent.
- Total outstanding receivables increased $77.3 million or 114 percent from Fiscal Year 1988.

Information Resources Management (IRM) Plan

In Fiscal Year 1989, FNS completed the fourth year of its IRM Plan to update technology and systems in the agency.

During Fiscal Year 1989, FNS completed the following major activities:

- Installed the minicomputer telecommunications network among all regions, headquarters and the Departmental Computer Centers.
- Installed microcomputer local area networks at headquarters and all regional offices. Completed implementation of electronic mail system in the Agency.
- Acquired additional computer hardware, bringing the total number of equipment purchases under the Computer Hardware Acquisition and Modernization Program to 827 microcomputers, 48 file servers, 9 minicomputers, and associated software and peripherals.
- Trained over 500 headquarters employees on the local area network functions and on Agency standard software packages.
- Completed the third year of the FNS Software Renewal Program with the following major accomplishments:
  - Implemented the first three subsystems within the newly designed Food Stamp Program Integrated Information System.
  - Designed and completed segments of five subsystems of the Special Nutrition Programs Integrated Information System.
  - Prepared comprehensive update of the IRM Long-Range Plan to reflect current and future agency needs.
- In Fiscal Year 1989, the Food and Nutrition Service completed the short-term enhancements to the current program accounting system, with the implementation of the Grant Award Document/Letter of Credit subsystem, and neared completion on the enhancements to the Accounts Receivable subsystem and the Regional Office Administered Programs subsystems. In addition, progress toward the long-term system development of the Integrated Financial Management Information System (IFMIS) was accomplished, with the

completion of the functional requirements and logical design documentation for the system. An oversight contract was also put in place to give FNS expert technical advice on the selection, installation, and development of IFMIS.

Primary activities for the next fiscal year include procuring and installing microcomputers in FNS field offices; conducting a state connectivity telecommunications study; installing a commercial application software package on each of the Agency's minicomputers; implementing a new food stamp redemption process at the Minneapolis Computer Support Center; continued development of high priority systems for Financial Management, Food Stamp and Special Nutrition Programs; and implementing the Department's Tri-Agency Processed Commodities Inventory Management System.

FOOD AND NUTRITION SERVICE

FOOD PROGRAM ADMINISTRATION

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1989 AND ESTIMATED 1990 AND 1991

State or Territory	1989 Amount	1989 Staff Years	1990 Amount	1990 Staff Years	1991 Amount	1991 Staff Years
Alabama	380,625	9	393,062	10	414,688	10
Alaska						
Arizona	225,456	5	232,823	6	245,633	6
Arkansas	202,316	6	208,927	6	220,422	6
California	5,970,723	147	6,165,828	154	6,505,069	154
Colorado	4,689,653	112	4,842,897	117	5,109,351	117
Connecticut	144,116	4	148,825	4	157,014	4
Delaware						
District of Columbia						
Florida	506,881	12	523,444	13	552,244	13
Georgia	6,382,067	150	6,590,614	158	6,953,227	158
Hawaii	240,377	6	248,232	6	261,889	6
Idaho	76,448	2	78,946	2	83,290	2
Illinois	4,983,451	124	5,146,295	130	5,429,442	130
Indiana	203,766	5	210,424	5	222,002	5
Iowa	133,071	4	137,419	4	144,980	4
Kansas	187,938	6	194,079	6	204,757	6
Kentucky	276,667	8	285,708	8	301,428	8
Louisiana	384,987	10	397,567	11	419,441	11
Maine	94,286	3	97,367	3	102,724	3
Maryland	260,451	7	268,962	7	283,760	7
Massachusetts	4,379,732	103	4,522,848	108	4,771,693	108
Michigan	483,269	12	499,060	13	526,519	13
Minnesota	1,397,967	24	1,443,668	25	1,523,077	25
Mississippi	227,996	6	235,446	7	248,400	7
Missouri	294,764	9	304,396	9	321,144	9
Montana	161,134	5	166,399	5	175,555	5
Nebraska	130,066	4	134,316	4	141,706	4
Nevada	41,399	1	42,752	1	45,104	1
New Hampshire	169,328	4	174,861	4	184,482	4
New Jersey	5,124,417	124	5,291,867	131	5,583,024	131
New Mexico	167,074	5	172,533	5	182,026	5
New York	1,000,657	28	1,033,355	29	1,090,210	29
North Carolina	329,168	8	339,924	8	358,626	8
North Dakota	90,476	3	93,432	3	98,573	3
Ohio	690,780	17	713,353	18	752,601	18
Oklahoma	366,988	10	378,980	10	399,832	10
Oregon	324,748	8	335,360	8	353,811	8
Pennsylvania	796,874	20	822,913	21	868,190	21
Rhode Island	65,972	2	68,128	2	71,876	2
South Carolina	256,985	7	265,383	7	279,984	7
South Dakota	112,602	3	116,281	4	122,679	4
Tennessee	612,114	16	632,116	18	666,894	18
Texas	5,528,204	136	5,708,849	143	6,022,948	143
Utah	112,453	3	116,128	3	122,517	3
Vermont	48,071	1	49,642	1	52,373	1
Virginia	38,946,081	575	40,218,727	607	42,431,540	607
Washington	343,447	8	354,669	9	374,183	9
West Virginia	319,955	8	330,410	8	348,589	8
Wisconsin	283,979	7	293,259	7	309,394	7
Wyoming	43,777	1	45,208	1	47,695	1
American Samoa						
Freely Associated States						
Guam						
N. Mariana Islands						
Puerto Rico	634,601	15	655,338	16	691,394	16
Virgin Islands						
Indian Tribes						
DOD Army/AF						
TOTAL	88,828,357	1,793	91,731,000	1,885	96,778,000	1,881

TUESDAY, MARCH 13, 1990.

OFFICE OF THE SECRETARY, DEPARTMENTAL ADMINISTRATION

WITNESSES

ADIS M. VILA, ASSISTANT SECRETARY FOR ADMINISTRATION

LARRY WILSON, JR., DIRECTOR, OFFICE OF FINANCE AND MANAGEMENT

CONSTANCE D. GILLAM, BUDGET OFFICER, OFFICE OF FINANCE AND MANAGEMENT

STEPHEN B. DEWHURST, BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

OPENING REMARKS

Mr. WHITTEN. We will turn now to Ms. Vila, Assistant Secretary for Administration and her associates, Mr. Wilson, and Ms. Gillam. Mr. Dewhurst is here as usual.

We will be glad to have your biographical sketch included in the record, and we will be glad to hear from you. Glad to have you proceed.

[CLERK'S NOTE.—The biographical sketch for Ms. Vila appears on page 976.]

Ms. VILA. Thank you, Mr. Chairman and members of the subcommittee. It is, indeed, a very special privilege for me to appear today to discuss the fiscal year 1991 budget request for the Office of the Secretary, Departmental Administration, GSA rental payments and building operations, advisory committees, hazardous waste management, and the services provided to USDA agencies through the Department's working capital fund.

I have with me Larry Wilson, who is the Director of the Office of Finance and Management; Connie Gillam, whose office provides budget services to me; and Steve Dewhurst, the Department's Budget Officer.

I have joined USDA at a particularly exciting and challenging time. As you have pointed out in the past, Mr. Chairman, the issues of world agricultural trade and marketing, food safety, the environment, research, rural development and nutrition are formidable. We face these challenges at a time when budgets are austere and our agencies are struggling to meet the needs for their services.

As part of the Secretary's management team, I am charged with the responsibility of assisting in effectively administering USDA programs. The Secretary has charged me with two principal goals: to diversify the work force, and to integrate the information systems agencies use for decision making.

Mr. WHITTEN. He didn't say anything about the farmer?

Ms. Vila. As a matter of fact, sir, both of these programs will help the farmer.

Mr. Whitten. When you were telling us what you were directed to do, I just wondered if he has included the word "farmer".

WORK FORCE DIVERSIFICATION

Ms. Vila. Although both of these are of long-term orientation, they require immediate attention.

The first major goal is work force diversification. USDA faces critical work force problems. As our responsibilities grow and become more complex, we need to acquire the skills to respond to programmatic changes and new technologies if, indeed, Mr. Chairman, we are to help the farmer. Our traditional recruitment methods have not been entirely successful in meeting these needs. Our scientific agencies face particular problems because enrollment in the agricultural disciplines has been declining. Expertise in such fields as automation and program management is difficult to find. And, 45 percent of the top level staff is now approaching retirement. We must reach out to every possible avenue by recruiting to meet our short-term needs for particular skills and to address the long-term problem of developing the next generation of USDA managers.

In addition, USDA has a responsibility to make its work force more representative of the national work force. We must recruit more minorities and make continued employment with USDA more attractive. We must ensure that the Department's agencies include opportunities for all in their managerial development programs. I am happy to report that we are developing a work force diversification umbrella plan for the Department which will address this issue.

I note that over the years there has been some progress toward this goal. Ten years ago, the Department's minority permanent employment stood at 12.8 percent, and female employment was 26.7 percent. At the beginning of 1989, these figures had improved to 15 percent and 36.2, respectively. During 1989 minority employment increased from 15 percent to 15.6 percent, and female employment increased from 36.2 percent to 37.9 percent.

Over the past year, the Department began a multi-year effort to coordinate minority personnel recruitment and retention. We are working closely with the 16 historically black 1890 land grant institutions and Tuskegee University. This year there will be summer internships for 500 students from these institutions. Career awareness and outreach programs have been held in Chicago and Philadelphia agricultural high schools. Job fairs have been held in Atlanta, Boston, Chicago, San Francisco, and Washington, DC, and two will be held this month in Texas and Louisiana. We are testing several efforts across the Department to determine what changes in the present recruitment and hiring systems will make USDA more competitive within the Federal Government in obtaining a quality work force representative of all segments of our society.

The vast majority of this effort is being carried out by USDA staff offices and agencies within current resources. We propose in the 1991 budget an increase of $179,000 and one staff year to aid

USDA agencies in anticipating problems with recruitment and retention and implementing an overall strategy for dealing with these problems. We want to build on our past efforts and expand our ability to inform young people about career opportunities in USDA and provide educational development assistance to middle and high schools, provide curriculum development to two and four year colleges and create an automated data base so that qualified applicants can be matched with vacant positions on a Department-wide basis.

SYSTEMS INTEGRATION

Our second goal is to modernize and integrate the Department's administrative information management and financial management systems. As you know, the Department has made significant investments in automated technology over the last decade. Our annual spending in this area now exceeds $600 million. In past reports, this committee has duly noted the need to review closely the Department's efforts in this area. We want to ensure we are getting the best return on our investment and not duplicating systems. Our agencies do not always recognize the need or the opportunity to integrate their efforts toward our common objective of managing more efficiently and improving our service to farmers, consumers and the general public.

TELECOMMUNICATIONS

Our most immediate objective is to change the administrative work place from a paper-driven one to an electronic one. In an era of tight budgets, our administrative systems must do a better job of serving our program managers at the lowest possible cost. This, in turn, requires that we modernize our administrative process by joining the telecommunications and electronic data processing revolution of the 1990s. We will improve our procurement, personnel, payroll, property management, payments and financial systems at the National Finance Center. We will move to electronic formats and on-line data systems which will make systems more responsive to our managers while reducing costs.

We have a blueprint for change developed by an interagency task force within the Department. To succeed in this effort, we will need this committee's support and that of many others in the Congress. We expect to phase-in in the next several years elements of this modernization, system by system. We hope to accomplish this within existing resources and to use any savings generated for subsequent phases of modernization.

Looking beyond the administrative area, we want to help agencies make maximum use of the newest technology in the delivery of their programs. We are developing new, long-term information resource management plans. Our mission is to provide needed information and technology to support the cost effective delivery of programs to the public. This requires an IRM framework with common data and strategic elements so that information collected by one agency can be used by other agencies, program managers, and top policy managers. This, in turn, will help to reduce the burden we place on farmers and other constituents now asked to provide the same information by different agencies. Success in this effort involves the creation of common departmental standards, the resolution of issues concerning data security, and the setting of short and long-term objectives. Our strategic plan will provide a framework for our overall effort.

FISCAL YEAR 1991 BUDGET REQUEST

You have before you the explanatory notes for the President's budget and the written portion of my testimony containing the numbers that make up the request. This budget supports the overall policy thrust of the President's fiscal year 1991 budget.

Thank you, Mr. Chairman, for the opportunity to discuss our main goals and objectives. I am prepared to answer any questions you or the committee may have.

[CLERK'S NOTE.—Ms. Vila's prepared statement appears on pages 977 through 990. The explanatory notes for the Department of Administration appears on pages 991 through 1074.]

DETERIORATION OF THE STANDING OF AGRICULTURE

Mr. WHITTEN. What disturbs me about what I think I have seen in the last 10 years is a deterioration of the standing of agriculture in our Nation. In my opinion we have not had a problem with people within the Department, but our problem has been at the highest level where parties have reduced what the farmer gets.

In World War II, we had asked the farmer to plant from fence row to fence row. When it was over, the Congress paid over $20 billion to industry to convert to peace but we paid the farmer nothing.

When we had disagreements with Russia over Afghanistan we embargoed agriculture products from being sold to Russia. That did not punish Russia. It just allowed our competitors to have our foreign markets.

We had the PIK program a few years ago. We paid our farmers to reduce their acreage. What happened was we gave 11 percent of our production to our overseas competitors.

BUDGET REDUCTION

Now, I am not trying to embarrass you at all, but I am just looking at what the Department's overall budget does. The budget calls for emergency conservation program to be cut by $10 million. The rural development programs are reduced as follows: rural development grants, $16.5 million; rural community fire protection, $3.091 million; mutual self-help housing, $8.75 million.

Farmer conservation loans are cut by $21.949 million.

Rural electrification programs are cut as follows: telephone loans, $239.2 million; FFB guaranteed electric and telephone loans, $933.075 million, capitalization of rural telephone bank, $28.71 million; reimbursement for interest and other losses, $244.1 million; and rural economic development subaccount, $5 million.

Cuts for Research and extension: animal health grants, $5.4 million; urban gardening, $3.5 million; farm safety, $970,000; financial management assistance to farmers, $1.4 million; renewable resource extension, $2,765 million; Morrill-Nelson, $2.8 million; foreign currency research, $875,000; and aquaculture centers, $3.7 million; and low-input agriculture, $4.45 million.

Other cuts in conservation programs are as follows: watershed and flood prevention, $31.1 million; river basin surveys and investigations, $1.941 million; resource conservation and development, $2.8 million; and watershed planning, $2 million.

Other reductions in rural development programs are as follows: rural housing direct loans, $883 million; rental assistance, $42 million; very low-income housing repair grants, $2.5 million; rural preservation grants, $4.1 million; water and sewer loans, $80.19 million; community facility loans, $24 million; and rural water and waste disposal grants, $109 million.

Other cuts in rural electrification programs are as follows: electrification direct loans, $422.05 million; and rural telephone bank, $52 million.

Other reductions in farmer programs are as follows: farm ownership loans, $394 million; farm insured operating loans, $400 million; and emergency disaster loans, $575 million.

The foreign assistance program has been cut by $81 million.

Other reductions for research and extension are as follows: expanded food and nutrition and education program, $36.5 million; forestry research, $4 million; special grants, $31 million; critical agricultural materials, $5.3 million.

Cuts in animal and plant health are as follows: grasshopper/Mormon cricket, $2.4 million; imported fire ant, $2.7 million.

FDA and APHIS user fees have been proposed for $236 million.

Nutrition assistance for Puerto Rico has been reduced by $100 million.

UNIVERSITIES AND COLLEGES

Now, that is the story, and yet on the administrative end of it there are increases. Much of the money proposed to be cut elsewhere in the budget goes for increases to the universities and colleges. I do not know what the overhead is now, but until we stepped into the picture, some were charging about 50 percent of the grant they got to cover administrative overhead.

ADMINISTRATIVE PERSONNEL

I read your statement here. You mentioned farmer only one time out of about 3,000 and some odd words. You mentioned farmer once, and that was in the name of an organization. You do not mention the farmer anywhere in your statement. But you are asking for increases in appropriations for personnel.

It raises some serious questions because the problems that we have had, from my observation, and I can prove it, has been at the top level and not at the working level. I have a good many complaints that you have been moving many people around down there. Is that true?

Ms. Vila. Mr. Chairman, the senior——

Mr. Whitten. We think the career people have done a good job. I just want to know because there are all these proposed cuts and you want more for personnel. Colleges that charged over 50 percent of grant funds went for personnel or overhead. And now they are asking us in here to take about $100 million and give it to the colleges under competitive grants where they do not have to report to anybody.

How can we justify that?

Ms. VILA. If I may speak to the salary issue. The Congress has increased the salary of the senior executives.

SUPPORT USDA PROGRAMS

And you mentioned why I may not have mentioned farmers many times. In departmental administration, our job is to help the rest of the——

Mr. WHITTEN. It looks like you are more wrapped up in the administration than in the programs that you are handling. That is the point. I am asking you to say it if it is not true.

Ms. VILA. Our job is to help the rest of the programs help the farmers.

Mr. WHITTEN. The Department of Agriculture was set up for the American farmer. A few years ago we changed this committee's name to put in rural development too. You are proposing cutting all the programs that help the farmer and increase the funds to the administrative group.

Let me point out, 300,000 farmers have gone broke. Anything the farmer gets is labeled a subsidy regardless of who really got the money. In many cases CCC funds went to commodity processors to pay for advertising. Section 32 funds have been taken over by the consumer programs, where as once 30 percent of customs receipts were set aside to promote in the American agriculture products, support prices and export. It looks to me like you want to bring in people that suit you or suit somebody, I guess the Secretary, but agriculture is our biggest industry, and it looks like helping it is being put aside here at the expense of the administration end.

I am quoting what I see here. In your statement of 14 pages, the word "farmer" is not mentioned. Do you consider your assignment to help with the rural development and with farmers?

Ms. VILA. Everything that we do in departmental administration, sir, is to help the farmer. We do it in our area indirectly because ours is an administrative function.

Mr. WHITTEN. That is right, but you are so wrapped up in that, you do not even mention the farmer in your statement here. I looked at it and checked it: 220 words to a page, 14 pages, 3,080 words, and not a mention of farmer.

Ms. VILA. I can only say that this is my first time and I am not doing a very good job of communicating the relationship between Departmental Administration and the program areas.

Mr. WHITTEN. Well, this is the first time I have faced this too.

But the job down there is to look after the American farmer, on the order of what Labor does for labor, what HUD does for HUD. Every Secretary except at the Department of Agriculture is out fighting for what he represents. I am a member on all the subcommittees, so I know.

Ms. VILA. I agree, Mr. Chairman. We look out for the farmer.

Mr. WHITTEN. Don't you think you ought to learn about how much these people are doing first and then start seeing what changes they need to make? Should we make changes in personnel before we know what the people are doing? It is serious question.

HUMAN RESOURCES

Ms. **Vila**. Over the last three months, we have done a lot of analysis using people who have been in the Department for over 20 or 25 years. Many of these recommendations that we are beginning to implement are a result of a number of GAO studies, including an interim report issued on November 1989 on the management of the Department that has pointed to many different problems in the administration of our human resources, and a GAO study that came out as recently as yesterday, Mr. Chairman. Both of these studies indicate that we need to do a better job of coordinating our human resources planning and our information resources management.

Mr. **Whitten**. All of which points out your mind is on the administrative group around you down there, but the fellow who you are supposed to be working for is not even mentioned.

Does anybody else have an answer?

[No response.]

DIVERSIFICATION PLAN

Mr. **Whitten**. Now I have some more specific questions. In your statement, you talk about a "work force diversification umbrella plan." Please explain in some detail what this entails.

Ms. **Vila**. It is our goal to have a work force approximating the Nation's labor force at entry, mid, senior, and executive levels that delivers programs in an efficient, effective and fair manner. A diversified work force policy is required by equal opportunity law, and it is the only effective recruiting strategy for USDA to pursue in a highly competitive labor market in which a greater share of the new entrants will be from underrepresented groups.

The "work force diversification plan" is currently being drafted by a task group of USDA management officials. We call it an "umbrella plan" because USDA is composed of many agencies, some small, some large with different management concerns. While work force diversity is our common goal, each agency may have a different strategy for achieving that goal.

The plan will contain short-, intermediate-, and long-term objectives for USDA. These objectives will cover recruitment and eliminating barriers to recruitment as well as employee training, employee retention, and awareness of cultural diversity.

Some activities under the umbrella plan have already begun. For example, we have placed Liaison Officers at each of the historically black Land Grant Colleges and Universities, and we will create employment opportunities for 500 summer interns from these institutions. We also are reaching out to the Hispanic community through a series of symposia. We have completed a recruitment video targeted toward college students, women, minorities, and the disabled. In addition, we are updating our Departmental recruitment materials and providing training, including cultural awareness training, to our campus recruiters. I have stressed the use of Individual Development Plans as a means of ensuring that current employees receive the training and skills enhancement that will enable them to perform effectively in their present positions and advance through the ranks. We have revised our Career Enhancement Program which provides upward mobility for lower-graded employees.

It is clear to me that the quality of USDA's work force is vital to the farmer. If we want a quality work force in the future, we can no longer afford to overlook the talent in any segment of our society, nor can we afford to neglect the development of the skills of the people we have hired. I believe the plan we are developing will be pivotal in assuring continued quality service from USDA to maintain American agriculture's success in world markets.

ADMINISTRATIVE SYSTEMS

Mr. WHITTEN. One of your stated major goals is in the area of system integration and a move to electronic formats and on line data systems. You have said that an interagency task force prepared a "blueprint" to do this. Please provide a copy for the record.

Ms. VILA. I will be happy to.

[CLERK'S NOTE.—The document provided was too lengthy to reprint. A copy will be maintained in committee files.]

Mr. WHITTEN. What is the timeframe and total cost of the plan?

Ms. VILA. The development and full implementation of Modernization of the Administrative Process by the agencies will take approximately four years at an estimated cost of $3.6 million.

A-76 REVIEWS

Mr. WHITTEN. How many A-76 Reviews were completed by USDA during fiscal year 1989 and what are your plans for A-76 Reviews during fiscal year 1990?

Ms. VILA. We completed one A-76 Review in fiscal year 1989.

USDA has four A-76 Reviews planned during fiscal year 1990. The Agricultural Research Service will study the Facilities Operations and Maintenance Support Service at Plum Island, New York—146 FTEs. The Farmers Home Administration is conducting a review of the mail processing unit in St. Louis, Missouri—16 FTEs. The Forest Service is conducting a study of the sewage plant operation at Lufkin, Texas—4 FTEs, and the aerial photography operation at Ogden, Utah—10 FTEs.

Mr. WHITTEN. Also, please give some details on the outcome of the A-76 Reviews completed during fiscal year 1989.

Ms. VILA. During fiscal year 1989, the Agricultural Research Service completed its A-76 review of the Facilities Operations and Maintenance services at the National Animal Disease Control Center in Ames, Iowa. The study involved 79 FTEs. The in-house cost was determined to be $8,347,300 and the cost of contracting was $9,301,785. As a result, the operations and maintenance service will continue to be provided in-house.

NATIONAL FINANCE CENTER

Mr. WHITTEN. The last several years we have had discussions with Mr. Franke, your predecessor, concerning privatization of the National Finance Center. In our hearing last year, Mr. Franke indicated that an accounting study was currently underway to assess the National Finance Center's operating costs and basically, this would be the basis for determining whether the Center was a viable privatization project. Please give us a detailed status report of the accounting assessment, including cost to date and projected cost to complete the project.

Ms. Vila. Mr. Chairman, I would like Dr. Wilson to respond to questions concerning privatization which in this case is known as FED CO-OP matters. As Director of the Office of Finance and Management, he has direct oversight over the National Finance Center and has been closely involved with this issue.

Dr. Wilson. Thank you, Ms. Vila. Mr. Chairman, the private accounting firm employed to assess the feasibility of the National Finance Center as a FED CO-OP candidate has just completed its study. Their letter report states that the NFC is not a viable candidate for FED CO-OP and recommends that USDA's Office of Finance and Management discontinue further consideration of privatization of the Center under FED CO-OP. The Department concurs with their recommendations. I will provide for the record a copy of the contractor's report. Final work will be completed by the end of April, at a cost of $462,156.

[The information follows:]

GREGORY K. WASHINGTON
CERTIFIED PUBLIC ACCOUNTANT

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March 12, 1990

Dr. Larry Wilson, Jr.
Director
Office of Finance and Management
U. S. Department of Agriculture
Washington, D.C

Dear Dr. Wilson:

Over the past five months, we have studied the feasibility of privatizing the Office of Finance and Management's field operation, the National Finance Center (OFM/NFC), under the "Federal Employee Direct Corporate Ownership Opportunity Plan" (FED CO-OP) guidelines proposed by the Office of Budget and Management (OMB). This letter summarizes our findings, conclusions and states our recommendations.

Our study focused primarily on identifying, analyzing and assessing legal, administrative and operational aspects of the FED CO-OP method and how it may affect the Center's operation in New Orleans. We examined a number of key issues which we determined are most critical.

The scope of the study was limited to the feasibility of the FED CO-OP method for the OFM/NFC as opposed to a Government-wide evaluation. Several constraints were identified within the proposed guidelines. They, in our opinion, significantly diminish the chance of achieving the stated objectives of the privatization initiatives at the OFM/NFC. It is important to note however, that a number of the constraints identified in our study are particular to the OFM/NFC. They may not present the same level of concern elsewhere.

A summary of seven key constraints which form the basis for our recommendations is enclosed. A more complete discussion of these constraints and other pertinent issues will be included in our final report which is to be issued under the Task Order. The constraints we identified increase in importance when coupled with OMB's acknowledgement that privatization under FED CO-OP may not necessarily result in cost savings to the Government.

These constraints establish among other things that:

> Conflict-of-interest and ethics-in-government laws and regulations will prevent the senior Federal employees at the Center from continuing in their current duties after privatization.
>
> The outplacement provisions of the FED CO-OP which are intended to induce employees to transfer to the privatized entity, will give prospective contractors difficult cost estimation problems. Outplacement may be meaningless in eliminating employees resistance to privatization because of the limited job market in New Orleans.
>
> The continued operation and maintenance of the application software programs which contain approximately nine million lines of code depends on retention of senior ADP staff. Such retention may not be possible.

> The OFM/NFC's financial services targeted for privatization are critical to the successful management and operation of USDA and non-USDA agencies with hundreds of thousands of employees and billions of dollars in program expenditures. Privatization may expose the serviced agencies to the risk of degradation in the quality of services received, in the event of the contractor's poor performance.
>
> If Center functions are privatized, the winning contractor may have a monopoly position when the contract expires with enormous future cost implications.
>
> Major cost increases to USDA agencies will occur if the cross-serviced, non-USDA agencies decide not to share the risks of privatization.
>
> Numerous complex problems exist which must be solved before an Employee Stock Ownership Plan (ESOP) can be successfully established and operated.

Based on the constraints identified in our study, we recommend that OFM discontinue further consideration of OFM/NFC privatization under FED CO-OP until:

1) the proposed guidelines have been further expanded and refined by the central guidance agencies to address the legislative, administrative and logistical shortcomings of the FED CO-OP method, and,

2) the FED CO-OP has been successfully implemented in privatizing another Government operation of preferably smaller size and less critical function, either within or outside of the USDA.

If you have any questions regarding this letter of recommendation, please do not hesitate to contact me.

Sincerely,

Gregory K. Washington, CPA

Enclosure

SUMMARY OF CONSTRAINTS IDENTIFIED WITH THE OFM/NFC PRIVATIZATION UNDER THE FED CO-OP METHOD

I. PERSONNEL-RELATED CONSTRAINTS

Personnel considerations are particularly important in privatizing the OFM/NFC because its operation depends strongly on employee experience and knowledge. As is often the case, procedural and systems documentation at the OFM/NFC is reportedly insufficient to allow inexperienced personnel to assume the duties of current staff without substantial training. Consequently, significant transfer of NFC personnel to a FED CO-OP subsidiary is a critical requirement for a successful FED CO-OP privatization effort. However, there are several factors which could prevent employees and senior management at NFC from seeking positions with the private entity established under FED CO-OP. Many key employees at NFC may exercise their options under reduction-in-force regulations and seek employment elsewhere in the government, or early retirement.

Some of the personnel-related constraints are:

A. Conflict-of-interest

Conflict-of-interest and ethics-in-government laws and regulations critically affect the privatization of NFC under FED CO-OP by imposing the following types of constraints:

1. These laws and regulations prohibit federal employees from receiving any salary or supplementation of their government salary from a private source as compensation for their services to the Government.

2. They affect personnel participating directly in the decision to privatize. Satisfying the FED CO-OP admonishment to consult with affected employees about the decision to privatize within the limits of the conflict-of-interest statutes, may not be possible.

3. They limit the permissible activities of former senior federal employees once they have left government service. In the case of the OFM/NFC, many employees would be constrained as to the level of participation in the FED CO-OP subsidiary. This would likely have serious consequences for significant transfer of federal employees to the FED CO-OP subsidiary. The prohibitions on post-employment activities contained in 18 U.S.C. 207 and 5 C.F.R. Part 737, will apply to the NFC Director and the Division Chiefs, preventing them from continuing in their current duties for one year in some cases, two years in others, and, under some circumstances such as contract negotiations, indefinitely. This restriction would clearly affect senior management's decision to support or participate in the privatization effort.

B. Outplacement Services

The outplacement provision of FED CO-OP is intended to provide an additional inducement for employees to transfer to the privatized entity and to reduce the prospects of employee resistance to privatization. The contractor is required to make good faith offers of outplacement services to employees initially hired by the FED CO-OP subsidiary but terminated for reasons other than cause within the first 365 days of the contract.

As a contract requirement, the outplacement services present the prospective contractor with another set of costs which must be estimated and considered before a decision to bid can be reached. Uncertainty over the initial and projected number of retained former federal employees makes estimating the total cost of outplacement services difficult.

In the case of privatizing the OFM/NFC, the credibility of the outplacement services will be adversely affected by the employment climate and general economic conditions in the New Orleans area. The contractor's ability to provide credible outplacement services will be constrained by the unavailability of similar employment opportunities in the market area. A negative perception will likely cause the employees to feel that their prospects for equivalent employment opportunities in the area are not promising. This could severely mitigate the effect of the outplacement services as an inducement to transfer.

II. ADP HARDWARE/SOFTWARE-RELATED CONSTRAINTS

The tangible assets at the OFM/NFC are primarily comprised of ADP hardware and application software. As of September 30, 1989, the ADP hardware had a net book value (acquisition cost less accumulated depreciation reserves) of approximately $11 million dollars. There are no capitalized costs associated with the application software. Software development costs are charged to current operating expenses. There are an estimated 9.0 million lines of application software code. This is an exceptionally large volume of code. While the value of the ADP hardware may be ascertained from the market, the actual cost or market value of application software is not readily determinable. A potential contractor will need to complete an exhaustive exercise to determine the level of the system documentation and its compliance with Federal requirements to prepare a bid. The Government will have to cope with the same problem to prepare for contract cost negotiations.

Certain characteristics of the OFM/NFC assets constrain the ability of a privatized entity to continue providing client services with minimum risk of failure due to ADP hardware/software management and maintenance. Procedural and system documentation for the existing software applications is reportedly insufficient to allow for the complete transfer of the systems to personnel unfamiliar with such systems.

The implication is that continued operation of the systems depends on the retention of current personnel, particularly the senior ADP staff. Consequently, the application software cannot be considered products or services that could be sold or provided separately from the personnel who currently provide operational and maintenance support. This reinforces the importance of staff retention and how it could affect the quality of services to be provided by the privatized entity.

III. NATURE OF SERVICES-RELATED CONSTRAINTS

The basic functions of the OFM/NFC are to provide Federal payroll, administrative payment processing, billings and collection, property management, Thrift Savings Plan recordkeeping, accounting/voucher examination and related reporting services to USDA and non-USDA agencies. These functions differ in many respects from typical privatization candidates such as building maintenance and cleaning, guard services, laundry services and vehicle maintenance in that they have distinctly federal aspects which are not currently being addressed in the private sector. It is easy to visualize a private firm taking over a building cleaning or security services with a staff possessing no related federal experience. It is not practical to assume that the functions of the OFM/NFC could be assumed by a private firm without direct related experience.

IV. COMPETITION-RELATED CONSTRAINTS

The initial privatization effort under FED CO-OP method specifically provides for the trained federal staff to be available to the contractor. However, a problem arises for future procurements. Only the incumbent contractor will likely possess employees with the needed skills. Other bidders would need to count on their ability to attract staff from the incumbent if they should win. It will not be very practical for other bidders to submit a credible bid against an incumbent who possesses all the necessary skilled employees while they have some or none.

V. SERVICE-RELATED CONSTRAINTS

Cross-servicing

The decision to privatize the services OFM provides now through the NFC may cause a loss of cross-servicing activities. Several benefits of current cross-servicing arrangements may be lost. Among these benefits is the ease of executing inter-governmental agreements as opposed to contract procurements. Also, there is an inherent confidence in working with the OFM that attracts other Federal agencies to services provided through OFM/NFC. It is unlikely that such confidence could be preserved by an independent contractor after privatization.

Should such loss of non-USDA agency clients occur after privatization, the contractor will have to either trim down its operation by laying-off staff, or increase service fees charged to remaining customers (primarily USDA agencies) to cover its operating overhead. Either one of these options may prove harmful to former OFM/NFC personnel employed by the contractor, and uneconomical to USDA agencies.

VI. PROCUREMENT-RELATED CONSTRAINTS

Federal procurement laws and regulations will adversely affect the use of the FED CO-OP method to privatize OFM/NFC services. The constraints in this area are due to the inherent complexity of procuring financial and ADP-related services such as those OFM provides at the NFC. Among the factors that will constrain the procurement process will be a myriad of decisions which have to be made, extensive procurement planning, risk of delay due to vendor protest or administrative impediments, and the need for substantial procurement expertise to support such an undertaking.

The procurement contract will have to be structured to assure uninterrupted extension of services to USDA and cross-servicing agencies. Additionally, it should protect the government's financial and other interests without unduly limiting competition or the ability of the selected contractor to provide services effectively and efficiently.

OFM will have to increase its contract management and contractor oversight capabilities. Since the contractor will have the capability to initiate the Federal payment process, special attention will need to be directed to how and by whom the responsibilities of the Certifying Officer are to be discharged to comply with the requirements of 31 U.S.C. 3325. Performing these additional tasks will require funding for additional staff and other administrative costs which will add to the cost of privatization.

VI. EMPLOYEE STOCK OWNERSHIP PLAN-RELATED ISSUES

ESOP is a key feature of FED CO-OP privatization method. It is intended to ensure that retained federal employees share in the proceeds garnered by the contractor through the FED CO-OP contract. Their collective share is either one-half of the cost savings to the government or some contract-specified minimum amount, and is used to acquire the contractor's stock.

While ESOP in itself does not constitute a major constraint to FED CO-OP method, certain implementational aspects of it relative to funding, participation and compliance with the IRS tax Code could present complex issues both to the contractor and the Government.

Some of these issues are:

- The ESOP arrangement must recognize that federal funds earmarked to finance the ESOP should benefit only the former federal employees.
- Unless at least 70% of the former federal employees transfer to the new subsidiary, it will not be possible to limit participation in the ESOP to only the former federal employees.
- A decline in the number of former federal employees through forced or unforced attrition can result in:
    - The total maximum allowable allocation of shares to departing employees-equal to 25% of employees' base salaries -- being less than the contract-specified annual contribution requirements.
    - The possibility that non-former federal employees may receive any remaining contributions should all former federal employees be terminated before contract completion.

The tax advantages of the ESOP arrangement are contingent upon satisfying the permanent and continuing arrangement requirements of the IRS. The limited term of the service agreement with the contractor may cause an adverse ruling by the IRS, resulting in the loss of certain tax benefits to the ESOP sponsor.

HAZARDOUS WASTE MANAGEMENT

Mr. WHITTEN. The Super Fund Amendments and Reauthorization Act established specific deadlines for completing various phases of hazardous waste management work. For the record, please provide a table showing the various phases of the work.

[The information follows:]

PHASES FOR CLEANUP AND DISPOSAL OF HAZARDOUS WASTE AS REQUIRED BY THE SUPER FUND AMENDMENTS AND REAUTHORIZATION ACT

Preliminary Assessment (PA): A PA must be completed by the responsible Federal agency within 18 months from the time a facility is listed on the Federal Agency Hazardous Waste Compliance Docket.

Site Investigation (SI): A site investigation must be completed if determined necessary by the preliminary assessment. The statute does not provide a specific deadline for completion of an SI.

Hazard Ranking: EPA must complete a hazard ranking for a facility, based on the data from the PA and SI within 30 months from the time a facility is listed on the Docket. EPA must also include facilities that meet the criteria for listing on the National Priority List (NPL) within this time frame.

Remedial Investigation/Feasibility Study (RI/FS): A RI/FS must be started within 6 months of a facility being listed on the NPL. The EPA and/or the State must publish a timetable and deadline for the expeditious completion of the RI/FS.

Interagency Agreement (IAG): Within 180 days of completion of the RI/FS, the responsible Federal agency must enter into an IAG with EPA for the expeditious completion of all necessary remedial action.

Remedial Action: Substantial continuous physical onsite remedial action shall be started within 15 months of the completion of the RI/FS. Although there is no specific deadline, remedial action must be completed as expeditiously as practicable.

MOTOR FLEET A-76 REVIEW

Mr. WHITTEN. Last year the Department was conducting an A-76 Review of the Department's motor fleet management operation and maintenance activities. The outcome of the study could result in a change of operations of the $140 million motor fleet services for the Department. Can you please bring us up to date on the activities related to that study?

Ms. VILA. We have delayed the release of a formal solicitation for USDA's motor vehicle fleet activities pending the results of the General Services Administration's—GSA—solicitations in three regions. GSA's solicitations are intended to identify commercial sources and costs of providing fleet services to the Government. The maintenance, fleet services and types of vehicles in GSA's solicitations are similar to those of USDA. We believe the results of GSA's studies will be extremely beneficial to the outcome of our cost study. The commercial sector responses or comments to GSA's solicitations will enhance our solicitation before final release.

The solicitations in the Northwest Region and the Rocky Mountain Region resulted in GSA's retaining ownership of the fleet. GSA did not receive any bids from private industry. The last solicitation in the Mid-Atlantic Region is scheduled to be released in late April. If the three solicitations do not result in industry interest in providing these services at competitive prices, USDA will consider whether GSA can provide fleet services cheaper than USDA.

RECRUITMENT DEMONSTRATION PROJECT

Mr. WHITTEN. In fiscal year 1990, the Congress provided funds to develop a recuitment demonstration project that would enable the Agricultural Research Service and the Forest Service to recruit outside normal OPM procedures. What is the status of that demonstration project?

Ms. VILA. On August 23, 1989, the Federal Register, published the proposed project plan for the USDA Recruitment Demonstration Project. The Office of Personnel Management's Director, Constance Berry Newman, signed the final project plan on March 5, and the Federal Register published it on March 9, 1990. Project implementation is scheduled for June 1990. Over 210 Agricultural Research Service and Forest Service locations nationwide are scheduled to participate in the project as experimental and comparison sites. Efforts are currently underway to train Agricultural Research Service and Forest Service personnel in the use of the new procedures. The Agricultural Research Service has entered into a cooperative agreement with the Pennsylvania State University to conduct an evaluation to measure the impact of project results in relation to stated objectives. Periodic evaluation reports will be issued over the 5-year life of the project.

SMALL AND LIMITED RESOURCE FARMER INITIATIVE

Mr. WHITTEN. The Farm Credit Act of 1987 established the "Small and Limited Resource Farmer Initiative." In our hearings last year Mr. Franke testified that the Department was basically just getting underway with work related to that initiative and at that point you had two conferences—one in Baton Rouge, Louisiana and one in Albuquerque, New Mexico. Please provide some details on the activities related to the initiative that occurred during fiscal year 1989 and what you intend to do during fiscal year 1990.

Ms. VILA. We developed the draft Small and Limited Resource Farmers Initiative, SLRFI, Regulation which will set forth the Department's Policy pertaining to the small and limited resource farmers, SLRF.

Three SLRF conferences were conducted to notify the public of USDA agency responsibility under Section 623 of the Agricultural Credit Act of 1987. The conferences were held at Southern University, Baton Rouge, Louisiana, October 5–6, 1989, Albuquerque Convention Center, Albuquerque, New Mexico, March 13–15, 1989 and Fort Valley State College, Fort Valley, Georgia, July 25–27, 1989.

We compiled all of the required material for the Handbook for SLRFs for the 19 western states. This handbook is a directory of public and private agencies which offer program services to the agricultural and rural communities.

OAE assisted with the development and finalization of Cooperative Agreements between FmHA and Prairie View University, Florida A&M University, Southern University, North Carolina A&T University, Alcorn University and the Federation of Southern Cooperatives/Land Assistance Fund. These universities and advocacy groups conducted socially Disadvantaged Outreach Programs and provided one-on-one technical assistance to 10–15 farmers in each of 8–10 counties in their States.

The Deans of the Schools of Agriculture or Extension Administration of Delaware State University, Tuskegee University, Kentucky State University, Alabama A&M State University and Tennessee State University were contacted to discuss the possibility of submitting proposals for cooperative agreements with FmHA to carry out the initiatives stated above.

A brochure that provides information to SLRFs on some of the services available from USDA that are provided by ASCS, ES, FmHA and SCS was developed and distributed in English and Spanish.

I will provide for the record more information on the major activities planned for fiscal year 1990.

[The information follows:]

It is our intention to move the SLRFI to a viable and visible position within USDA. To do this, we must complete and issue the SLRFI Departmental Regulation and print and distribute the handbook for SLFRs for the western states.

We will conduct a Small and Limited Resource Farmers/Rural Revitalization National Conference in Nashville, Tennessee, September 5–7, 1990. The purpose of the conference is to develop mutual understanding by discussing needs and methods for resolving problems of SLRFs, improving USDA's ability to provide education and support for SLRFs and increasing the awareness of SLRFs of the assistance USDA offers to them.

OAE will conduct technical assistance visits and program reviews to determine what USDA agencies are doing to assist the SLRF and provide technical assistance pertaining to the SLRFI.

USDA will provide technical assistance to State Departments of Agriculture, 1890 Institutions, advocacy groups, cooperatives, SLRF and self help associations pertaining to the 1985 Farm Bill, the Agricultural Credit Act of 1987, recordkeeping, and farm management of income and utilization of credit. This assistance will include management of resources and production practices, diversification (high value cash crops), harvesting and direct marketing, developing a profitable mixture of farm and/or non-farm activities-income, and techniques to improve productivity.

NATIONAL FINANCE CENTER

Mr. **Whitten.** For the past several years more and more agencies have used the National Finance Center to handle their financial management services or payroll and personnel services. For the record, please provide a listing of all the USDA agencies that receive assistance and all of the non-USDA agencies.

[The information follows:]

National Finance Center

USDA Agencies Served:
Agricultural Cooperative Service.
Agricultural Marketing Service.
Agricultural Research Service.
Agricultural Stabilization and Conservation Service.
Agricultural and Plant Health Inspection Service.
Cooperative State Research Service.
Economic Analysis Staff.
Economics Management Staff.
Economic Research Service.
Extension Service.
Farmers Home Administration.
Federal Crop Insurance Corporation.
Federal Grain Inspection Service.
Food and Nutrition Service.
Food Safety and Inspection Service.
Foreign Agricultural Service.
Forest Service.
Human Nutrition Information Service.
National Agricultural Library.

National Agricultural Statistical Service.
Office of Administrative Law Judges.
Office of Advocacy and Enterprise.
Office of Budget and Program Analysis.
Office of Finance and Management.
Office of Energy.
Office of Information Resources Management.
Office of International Cooperation and Development.
Office of Operations.
Office of Personnel.
Office of Public Affairs.
Office of General Counsel.
Office of Inspector General.
Office of the Secretary.
Office of Transportation.
Packers and Stockyards Administration.
Rural Electrification Administration.
Soil Conservation Service.
World Agricultural Outlook Board.
Non-USDA:
ACTION.
Appalachian Regional Commission.
Architect of the Capitol.
Department of Commerce.
Department of Education.
Department of Housing and Urban Development.
Department of the Interior (National Park Service).
Department of Labor.
Department of State.
Department of the Treasury.
Farm Credit System Assistance Board.
Federal Communications Commission.
Federal Deposit Insurance Corporation.
Federal Emergency Management Agency.
Federal Mine Safety and Health Review Commission.
Federal Employee Retirement System/Thrift Investment Board.
General Accounting Office.
Library of Congress.
Merit Systems Protection Board.
National Endowment for the Arts.
National Gallery of Art.
Occupational Safety and Health Review Commission.
Office of Government Ethics.
Office of Special Counsel.
Small Business Administration.
U.S. Commission on Civil Rights.
U.S. Information Agency.

WORKING CAPITAL FUND

Mr. WHITTEN. The most significant increase to the Working Capital Fund is in the Office of Finance and Management. Please explain in some detail the need for this increase.

Ms. VILA. The increase for the Office of Finance and Management is almost entirely a function of increases in activity among existing cross-servicing agreements at the National Finance Center. As the Explanatory Notes show, total costs for the NFC increase by $4,874,000 in fiscal year 1991. Of this amount, $4,580,000 will be recovered as income from services provided to non-USDA agencies. This will be income earned from expanded services under existing cross-servicing agreements. The USDA share of NFC costs will increase by only $294,000. This is an increase in USDA's costs at NFC of less than one percent.

Mr. **Whitten**. Please provide a chart of the total amount of depreciation charges paid by the Working Capital Fund users for fiscal years 1985 through 1991.

Ms. **Vila**. Certainly, Mr. Chairman.

[The information follows:]

Working capital fund depreciation charges

Fiscal year:	*Depreciation charges*
1985	$3,147,000
1986	4,184,000
1987	6,675,000
1988	9,309,000
1989	11,345,000
1990[1]	12,503,000
1991[1]	13,858,000

[1] Estimated charges.

Mr. **Whitten**. Please provide a list of OIG and/or GAO reports which have been issued in the past two years regarding activities of the Working Capital Fund.

Ms. **Vila**. I would be happy to provide the Committee with that information, Mr. Chairman.

[The information follows:]

OIG REPORTS ON THE WORKING CAPITAL FUND

Supply and Other Central Services:

Controls Over Office Supplies—USDA Office of the Inspector General, Audit No. 23099-3-HY, October 9, 1989.

Department-wide Review of Methods for Handling Imprest Funds (USDA Office of the Inspector General, Audit No. 55010-5-NY, December 1989). Note: The Office of Operations Centralized Imprest Fund was one of several fund offices visited.

ADP Services:

Audit of Farmers Home Administration (FmHA) Development of a Departmental File Transfer Protocol, DFTP, USDA Office of the Inspector General, Audit No. 04530-31-FM.

Audit of the User Billing System at the National Computer Center at Fort Collins—NCC/FC—USDA Office of the Inspector General, Audit No. 58099-9-FM. Note: This audit was closed, March 9, 1990.

PCIE Computer Systems Integrity Project at Kansas City Computer Center—USDA Office of the Inspector General, Audit No. 58099-10-FM.

User Billing and Charging System of the National Computer Center at Kansas City, NCC/KC, USDA Office of the Inspector General, Audit No. 58099-11-FM.

Contingency Plan Development for Kansas City Computer Center USDA Office of the Inspector General, Audit No. 58550-15-FM.

Security and Control of the Honeywell Computer, USDA Office of the Inspector General, Audit No. 58099-17-FM.

Tape Library Management Controls, USDA Office of the Inspector General, Audit No. 58099-18-FM.

Follow-Up Review of Security Vulnerabilities at the National Computer Center at Kansas City, USDA Office of the Inspector General, Audit No. 58099-20-FM.

Mr. **Whitten**. We see from the explanatory notes that one of the major decreases to the Working Capital Fund is at the Fort Collins Computer Center. You state that this reduction is due to adjustments to estimates in demand. Would you please explain in some detail the change in demand?

Ms. **Vila**. Mr. Chairman, we are restructuring the National Computer Centers at both Fort Collins and Kansas City to respond to changing demand and technological requirements of both USDA and non-USDA users of these Centers. The Animal and Plant

Health Inspection Service eliminated its requirements for ADP support at Fort Collins for its Brucellosis Information System last year. This is a permanent reduction in basic demand for ADP services at Fort Collins. We have also scaled back estimates of non-USDA demand for ADP services at Fort Collins. To improve cost effectiveness, we have begun employing Fort Collins as a back-up facility for IBM systems at the National Computer Center/Kansas City, ensuring adequate back-up in the event of interruptions of service or high demand conditions at Kansas City. This is in addition to the ADP services it continues to provide to the Forest Service, Agricultural Stabilization and Conservation Service, and other agencies of the Department. The net effect is a reduction in FY 1991 costs for this center of $1,490,000 from the FY 1990 levels.

Mr. WHITTEN. We also see that, as part of your capital acquisitions for ADP services, the major increase is to Fort Collins. Is this consistent with the decrease in demand?

Ms. VILA. Yes, Mr. Chairman, I believe it is. As I noted earlier, we are employing the Fort Collins facility as a back-up site for IBM systems managed at the National Computer Center/Kansas City. Since these systems are Kansas City-managed, some costs of operation are reflected in the estimates for the National Computer Center/Kansas City.

We also have a responsibility to provide our agency users with the most cost efficient and operationally efficient technologies possible in support of their program missions. That means upgrading our computer centers' assets as their useful lives expire and as new technologies emerge which have promise for improved productivity. Our upgrading of ADP assets at the Fort Collins center is part of this process, even though we may be in a period of flat demand.

The capitalized equipment necessary to accomplish the upgrading is included in the FY 1991 budget. The equipment to be purchased for the National Computer Center/Fort Collins has been subjected to detailed lease/purchase analyses by the Comptroller of the Fund. The Committee can be assured that the assets to be purchased will provide positive returns on investment.

RENTAL PAYMENTS

Mr. WHITTEN. The Department's request for $49,305,000 for rental payments costs is approximately the same as for 1989 and 1990. Since there has been, for practical purposes, no increase in the rental payments to GSA account for three years, has this had any adverse impact on USDA's ability to rent space?

Ms. VILA. GSA is aware of the limitations placed on the rental payment rates over the last three years. While GSA is not happy with the level payment rate, the Department has not had any past difficulties in acquiring GSA space. We do not anticipate any difficulties in the future in acquiring necessary space through GSA.

Mr. WHITTEN. You state that the $268,000 increase for rental payments to GSA will "partially cover GSA charges." Do you have an estimate of what the total GSA charges would be without the appropriations limitation?

Ms. VILA. The total GSA charges for rental payments would be $98,451,556 without the appropriations limitation.

BUILDING OPERATIONS AND MAINTENANCE

Mr. **Whitten**. How much did the yearly pricing adjustments under the Service Contract Act and Fair Labor Standards Act go up during fiscal years 1989 and 1990 for the Washington, D.C. Headquarters Complex?

Ms. **Vila**. Under these Acts, we are bound by law to honor inflation based pricing adjustments for contract labor services. The average increase in labor rates for service contracts for our Building Operations and Maintenance activities was 7 percent for fiscal years 1989 and 1990.

Mr. **Whitten**. For the record, please submit an updated copy of your plan for addressing the backlog of major repairs to USDA buildings. Please identify those repairs to be initiated in fiscal year 1990 and also provide the total of estimated repairs for nonrecurring activities for out-years.

Ms. **Vila**. I will provide for the record an updated list of the Major Repair Backlog for the four buildings in the Agriculture Complex. The summary page shows that, despite many repairs initiated in fiscal year 1989, the backlog of repairs still stands at over $172 million after accounting for deterioration and inflation.

[The information follows:]

UPDATED BACKLOG OF REPAIRS FOR USDA BUILDING—MAJOR REPAIR BACKLOG SUMMARY

	1989 estimate		1990 estimate
Administration	$22,575,096	17,820,401 plus 5 percent equals	$18,711,421
Annex	4,690,000	4,466,667 plus 5 percent equals	4,690,000
South	145,414,500	137,388,449 plus 5 percent equals	144,257,871
Main auditors	2,218,650	2,250,000 plus 5 percent equals	2,362,500
Total	174,898,246	Total	172,209,892

Note.—1990 estimate figures include 3 percent inflation and 2 percent deterioration factors (total 5 percent). Estimates are based on repairs identified by engineering studies, building evaluations, and USDA's master plan study.

Updated backlog of repairs for USDA buildings

Administration Building:	
1. Repair exterior concrete	[1] $47,000
2. Replace court skylight	[2] 500,000
3. Rehabilitate parking areas	422,100
4. Improve surface drainage	105,525
5. Replace PCB transformers	[1] 750,000
6. Fill and close chimney flues	92,299
7. Provide emergency light system	39,060
8. Provide smoke detector system	15,750
9. Provide exterior exits	267,330
10. Provide basement egress	281,400
11. Extend stairs to lobbies	108,255
12. Provide fire separations	26,029
13. Relocate access doors	5,909
14. Provide attic fire separations	171,654
15. New stairs east and west	400,470
16. Interior patch and painting	[1] 107,200
17. Upgrade elevators	478,800
18. Install fire alarm	[2] 365,820
19. Asbestos abatement, future phases	1,140,000
20. Upgrade electrical system	2,300,000
21. Clean, point and restore masonry	[1] 809,000
22. Restore masonry, center section	[2] 500,000

23. Upgrade HVAC system	5,900,000
24. Restore windows	1,300,000
25. Fire suppression system	2,900,000
26. Replace rain leaders	500,000
27. Replace panelboards and feeders	[1] 319,913
Projects under construction	2,033,113
Projects on backlog	17,820,401
Annex Building:	
1. Site improvements	[2] 100,000
2. Repair and improve drainage systems	[2] 100,000
3. Repair truck dock and bumpers	62,265
4. Renovations 4th and 5th floor mezzanine	435,500
5. Emergency lights system	26,170
6. Smoke detector system	11,959
7. Second and third floor exits	22,512
8. Enclose stairs	2,814
9. Replace doors	158,287
10. Provide refrigeration system	32,160
11. Replace HVAC system	1,150,000
12. Plumbing	50,000
13. Replace air filters	60,000
14. Interior upgrade	310,000
15. Structural repairs	110,000
16. Masonry restoration	150,000
17. Electrical system replacement	625,000
18. Elevator upgrade	330,000
19. Asbestos	[2] 250,000
20. Windows	240,000
21. Handicapped improvement	180,000
22. Emergency power supply	50,000
23. Fire stopping	10,000
Projects under construction	0
Projects on backlog	4,466,667
Agriculture South Building:	
1. Repair concrete	100,000
2. Repair chipped masonry	21,105
3. Restore metal work	[1] 92,000
4. Rehabilitate parking courts on grade	422,100
5. Improve receiving facilities areas	140,700
6. Refurbish electrical vaults	19,698
7. Replace office and corridor lighting	2,012,000
Phase I	[1] 200,000
8. Rehabilitate elevator machine rooms	386,925
9. Replace selected elevators	3,000,000
10. Repair interior marble	[1] 268,000
11. Enclose attic and elevator machine roof stairs	[2] 78,792
12. Install condensate drainage system	1,913,520
13. Package unit replacement	118,188
14. Repair building appurtenances	[1] 67,000
15. Repair exterior masonry, phase I	[1] 365,995
16. Repair exterior masonry, remainder	[2] 3,000,000
17. Parking light system	58,800
18. Replace PCB transformers	[1] 1,300,000
19. Provide emergency light system	329,700
20. Provide smoke and heat detector system	281,400
21. Repair electric panels and boxes	14,070
22. Provide security alarm	157,500
23. Replace elevators doors	547,680
24. Provide fire separations in attic	316,575
25. Replace corridor ceilings/utility raceways	1,200,000
26. Automatic fire doors cafeteria	59,094
27. Exiting study	133,665

28. Replace combustible attic insulation	2,581,845
29. Install stairwell gates	43,335
30. Close slab penetrations	246,225
31. Relocate chase doors	41,506
32. Close chases, provide ducted exhaust	1,301,475
33. Install office exhaust duct system	2,386,975
34. Install fire sprinkler system	8,608,307
35. Replace corridor water cooler system	513,555
36. Recess fire extinguishers	108,339
37. Patching and painting	[1] 282,740
38. Restore exterior windows, phase III	[1] 759,240
39. Restore exterior windows, courtyards	[2] 6,000,000
40. Asbestos abatement program	2,000,000
41. Fire alarm system zoning	[2] 830,000
42. Replace obsolete induction units	1,250,000
Phase I	[1] 250,000
43. Repair and restore parapet walls	1,000,000
44. Waterproof court 2	[2] 800,000
45. Utility metering system	[1] 269,400
46. Restore secondary water flow	1,500,000
47. Renovate A/C units for return air	850,000
48. Replace elevators 37 and 66	[2] 400,000
49. Replace elevators 31, 32, and 33	[1] 593,000
50. Elevator, court 3	[1] 220,000
51. Clean HVAC system	230,000
52. Gate automation	[1] 249,000
53. General renovation	20,300,000
54. Utility modification	[1] 469,000
55. Ceilings in office space	4,000,000
56. Toilet/plumbing renovations	6,500,000
57. Parking structure	16,000,000
58. Mechanical, HVAC systems	33,000,000
59. New refrigeration and tunnel	7,200,000
Projects under construction	5,385,375
Projects on backlog	132,003,074
Main auditors:	
1. Relocate blind stand	150,000
2. Exterior masonry repairs	1,000,000
3. Attic mechanical room upgrade	300,000
4. Site improvements	500,000
5. Loading dock	300,000
Projects under construction	0
Projects on backlog	2,250,000

[1] Under construction.

[2] Under design.

Ms. VILA. In fiscal year 1990, we are planning to award six projects under our non-recurring repair appropriation. I will provide a list of these projects.

[The information follows:]

Nonrecurring repair projects to be initiated in fiscal year 1990

Administration building:	
Masonry restoration, final phase	$500,000
Asbestos abatement, phase III	300,000
Replace East and West switchgear	600,000
South building	
Restore windows, phase IV	1,000,000
Asbestos abatement, phase III	200,000
Replace elevators 37 and 66	400,000
Total	3,000,000

Ms. **Vila**. We are also planning to accomplish numerous other minor repairs and improvements under our building operations and maintenance appropriation.

I will provide a list of the total estimated nonrecurring repairs in out years.

[The information follows:]

Nonrecurring repair projects for outyears

Administration building:	
Restore windows, phase I	$500,000
Replace branch circuit wiring	1,400,000
Asbestos abatement, phase IV	600,000
HVAC upgrade	800,000
Annex Building:	
Upgrade electrical system	625,000
Window replacement	240,000
Utility modification	200,000
South Building:	
Restore windows, phase V	1,000,000
Restore masonry, phase III	1,000,000
Asbestos abatement, phase IV	450,000
Fire protection sprinklers, phase I	1,420,000
Firm alarm system zoning	830,000
Central drinking water system	330,000
Upgrade file cabinet vaults	600,000

Mr. **Whitten**. Have there been any major structural and/or mechanical failures within the Washington, D.C. Complex within the past year?

Ms. **Vila**. There have been no major structural or mechanical failures within the past year. Our preventive maintenance program and minor repair programs have kept the equipment operating. In addition, the limited major repairs that were done using the nonrecurring repair funding made available to USDA over the last several years, has corrected some of the major problems before actual failures occurred. Examples of these major repairs include chiller replacement and electrical switchgear replacement.

ADVISORY COMMITTEES

Mr. **Whitten**. For the record, please summarize the meetings held and the recommendations of all Advisory Committees and Subcommittees. Also provide the membership of each of those committees and the costs associated with that committee during fiscal year 1989.

Ms. **Vila**. I'll be happy to.

[Clerk's note.—The Advisory Committee recommendations were too lengthy to reprint. The information will be retained in committee files.]

USDA advisory committees

Policy area and committee title	*1989 actual*
Food and Consumer Services:	
Nat'l Adv. Council on Child Nutrition	$8,824
Nat'l Adv. Council on Maternal, Infant and Fetal Nutrition	40,610
Nat'l Adv. Council on Commodity Disbribution	56,157

Policy area and committee title	
Dietary Guidelines Advisory Committee	20,305
Total	125,896
Science and Education:	
Nat'l Ag. Res. & Exten. Users Adv. Board	188,209
National Arboretum Advisory Council	10,687
Human Nutrition Board of Scient. Counselors	11,112
Science & Education Comp. Res. Grants	12,320
National Plant Genetic Resources Board	23,529
Animal Health Science Research Adv. Board	16,900
Cooperative Forestry Research Adv. Council	26,246
Committee of Nine	39,594
Agriculture Biotechnology Research Adv. Com	117,689
Total	446,286
Marketing and Inspection Services:	
Federal Grain Inspection Adv. Comm	46,099
Nat'l Adv. Comm. on Meat & Poultry Insp	35,225
Nat'l Adv. Comm. on Microbiological Criteria for Foods	25,000
Advisory Committees on:	
Foreign Animal and Poultry Diseases	26,948
Swine Health Protection	5,242
Gen. Conf. Comm. of the Nat'l. Poultry Improvement Plan	6,436
Nat'l Animal Damage Control Adv. Comm	38,099
Nat'l Adv. Comm. on Cotton Marketing	52,312
Plant Variety Protection Board	6,651
Varroa Mite Negotiated Rulemaking Adv. Comm	28,722
Scrapie Negotiated Rulemaking Adv. Comm	....
Total	270,734
International Affairs and Commodity Programs:	
Agriculture Tech. Adv. Comm. for Trade	14,170
Technical Adv. Comm. for Trade in:	
Cotton	13,135
Fruits and Vegetables	13,135
Grain and Feed	14,170
Livestock and Livestock Products	14,170
Oilseeds and Oilseed Products	13,135
Poultry and Eggs	13,135
Tobacco	13,135
Dairy Products	13,135
Sweeteners	13,135
Processed Food	13,135
Agribusiness Promotion Council	23,700
USDA's Intl. Trade Activities	6,000
Total	177,290
Small Community and Rural Development:	
Nat'l Adv. Council on Rural Development	15,645
Nat'l Comm. on Agriculture and Rural Devel	115,806
Federal Crop Insurance Adv. Committee	....
Total	131,451
Economics: Nat'l Ag. Cost of Prod. Standards Review Bd	31,000
Departmental Administration:	
Citizen's Adv. Comm. on Equal Opportunity	49,343
Contingencies	....
Total, Advisory Committees	1,232,000

Mr. **Whitten**. The National Commission on Agriculture and Rural Development recently issued its report. What were the printing costs associated with this report, and from what account were the funds derived?

Ms. Vila. The invoices for printing and artwork in connection with the report have not yet been received; however, the costs are estimated to be $3,700. These services were financed from the appropriation for the National Commission on Agriculture and Rural Development, the appropriation made available by Congress in fiscal year 1987 for operation of the Commission.

Mr. Whitten. Your request for Object Class 25, Other Services, is $269,000 for fiscal year 1990. Please explain the extreme between this object class for fiscal year 1989 which was $150,000 and your request for 1991 which is $160,000.

Ms. Vila. The estimates for fiscal year 1990 include the costs associated with the National Commission on Agriculture and Rural Development. The legislation authorizing this Commission will expire in December 1990, and fiscal year 1991 costs have been reduced accordingly.

Mr. Whitten. For the record, please provide a copy of the Charter for the Federal Crop Insurance Advisory Committee. Also, provide a listing of the committee members and scheduled activities for fiscal year 1990.

Ms. Vila. The charter for the Federal Crop Insurance Advisory committee is not yet available, since it is still undergoing Departmental review prior to being signed by Secretary Yeutter. When the charter is in place, we anticipate that the committee will have no more than 25 members. To date, there are no scheduled committee activities for fiscal year 1990.

Mr. Whitten. We note that the National Commission on Agriculture and Rural Development will be funded from a separate, no-year appropriation during fiscal year 1990. Please provide us the appropriation languge and bill number in which this was set up.

Ms. Vila. Funds for the National Commission on Agricultural and Rural Development were provided in the Supplemental Appropriations Act, 1987, Public Law 100-71, 7 U.S.C. 5002. Section 519(b)(2) reads as follows: "for the National Commission on Agriculture and Rural Development established under section 1723 of the Food Security Act of 1985 (7 U.S.C. 5002), $100,000, to remain available until expended."

TRAVEL

Mr. Whitten. For the Departmental Administration Account you project spending $365,000 for travel. This is a significant decrease from fiscal year 1989. Would you please explain why you expect less travel expenditures during fiscal year 1990?

Ms. Vila. Mr. Chairman, we are absorbing the fiscal year 1990 pay increase as part of deficit reduction. To accomplish that absorption, we have cut back areas such as travel. Although subsequent circumstances may dictate a different level, the budget reflects our best estimate of travel that cannot be deferred without seriously compromising fiscal year 1990 program objectives.

NATIONAL COMMUNICATIONS SYSTEM

Mr. WHITTEN. This year you are requesting $50,000 for USDA's pro-rata share of the national level program for the National Communications System. This is an increase above last year of $48,000. You also point out that for fiscal year 1990 there was a decrease from some $262,000 from fiscal year 1989. What is causing the significant fluctuations in charges?

Ms. VILA. There is an increase in fiscal year 1991 costs for the National Emergency Telecommunications System—NETS. The cost fluctuations are attributable to a fifteen-month slip in the award of the NETS Integration Contract. Also, changes in costs among individual NCS organizations are further affected by a new funding allocation algorithm for determining individual shares beginning fiscal year 1991. The award of the NETS Integration Contract and continued introduction of the Survivable Signaling Network into the AT&T network are now back on schedule.

SMALL AND LIMITED RESOURCE FARMER INITIATIVE

Mr. WHITTEN. For the Office of Advocacy and Enterprise you had an increase of $90,000 for the Department to continue to implement the Small and Limited Resource Farmer Initiative. Last year you requested a significant increase for this office for the same purpose. What do you anticipate will be the final staffing figures and amounts needed to accomplish this program?

Ms. VILA. We asked for $90,000 to begin work under this initiative in the fiscal year 1990 President's Budget. Congress did not appropriate sufficient funds to fully support this activity. The need for the initiative persists, so we have requested $90,000 for the fiscal year 1991 President's Budget.

In order to accomplish the program objectives and fully satisfy Congressional intent, we require six FTEs, including a Project Director, Program Specialists and Administrative Support. This would require $439,000 for salaries and benefits, travel, ADP, conferences overhead for printing, and supplies.

ADMINISTRATIVE LAW JUDGES

Mr. WHITTEN. For the record, please provide a table showing the Administrative Law Judges workload activities.

Ms. VILA. I will be happy to provide this table for the record.

[The information follows:]

Office of Administrative Law Judges
Workload Data FY 1989-1991

	FY 1989	FY 1990 _1	FY 1991 _2
Total Cases Filed	1084	1643	1950
Total Cases Decided	1405	1745	2013
Total Hearings	104	122	144
Total Cases Certified	75	92	92

Comparison of cases filed and cases decided in FY 1989 and in the first 5.5 months of FY 1990 is as follows

Major Statute	FY 1989 Filed	FY 1989 Decided	FY 1990 _3 Filed	FY 1990 _3 Decided	FY 1991 _4 Filed	FY 1991 _4 Decided
Perishable Ag. Commodities (Reparation cases)	750	1080	582	606	1486	1547
Perishable Ag. Commodities (Disciplinary cases	41	41	30	28	77	71
Packers and Stockyards	109	131	40	57	87	124
Animal Quarantine	80	36	7	21	15	46
Plant Quarantine	60	26	15	33	33	72
Veterinary Accreditation	6	2	3	6	7	13
Meat and Poultry Inspection Acts	17	11	6	13	13	28
Horse Protection	0	51	30	21	65	46
Animal Welfare	6	15	27	12	59	26
Miscellaneous	15	12	13	3	108	39
Totals	1084	1405	753	800	1950	2013

_1 This is a projection based upon actual cases processed through March 15, 1990

_2 4 Projection based upon observed trends in existing programs and an estimate of approximately 80 cases under new programs

_3 Actual cases processed through March 15 1990

PERSONNEL MANAGEMENT EVALUATION PROGRAM

Mr. **Whitten**. Several years ago the Office of Personnel conducted a Personnel Management Evaluation Program. The program fell into disuse over the past several years and we see that you have reinstated it for fiscal year 1989. Please provide us with some details on the regulatory deficiencies that your review teams found.

Ms. **Vila**. During 1989, the Office of Personnel conducted three separate reviews covering 5 of the 40 Departmental agencies and staff offices.

Overall findings indicated that personnel management programs in the agencies reviewed were being carried out in an effective and efficient manner. The majority of review findings and recommendations were directed toward specific program improvements—such as enhanced automation support capabilities. Regulatory deficiencies were generally few.

These deficiencies appeared in two broad areas: the lack of formal program policy documentation developed and maintained at the agency level, and specific operational implementation of these policies. Findings in the first area generally involved inadequate or outdated published agency plans in such areas as position management, recruitment, and merit promotion. The second group of findings included such operational issues as nonexistent or incomplete classification evaluations, inadequate performance rating documentation, and inadequate posting and/or distribution of EEO Program information.

The Departmental evaluation staff also participated in several reviews conducted by both USDA agencies and OPM. Findings were generally similar to the above.

USDA VEHICLES

Mr. **Whitten**. For the record, please provide a table which will show the distribution of the Department's vehicles, by agency.

Ms. **Vila**. I will be happy to provide this table.

[The information follows:]

Distribution of owned general purpose vehicles, by agency as of October 1, 1989

Agency:	Number
Agricultural Marketing Service	60
Agricultural Research Service	2,379
Agricultural Stabilization & Conservation Service	9
Animal & Plant Health Inspection Service	2,869
Farmers Home Administration	11
Federal Grain Inspection Service	1
Food Safety and Inspection Service	2
Forest Service	16,282
National Agricultural Statistics Service	17
Office of the Inspector General	23
Office of Transportation	1
Packers & Stockyards Administration	3
Soil Conservation Service	11,203
Total	32,860

This table includes 32,860 sedans, station wagons, light trucks (4x2 and 4x4), medium trucks, heavy trucks, buses, and ambulances.

RECEPTION AND REPRESENTATION EXPENSES

Mr. **Whitten**. Please list the utilization of funds available to the Secretary for official reception and representation expenses during fiscal year 1989 and the first quarter of fiscal year 1990.

Ms. **Vila**. The reception and representation fund covers both the Secretary and the Deputy Secretary.

[The information follows:]

RECEPTION AND REPRESENTATION FUND

[Amounts rounded to nearest dollar]

Description	Fiscal year—	
	1989	1990 [1]
Breakfasts (includes Congressional breakfasts, press interviews, award breakfasts)	$582	
Luncheons (includes luncheon for Chamber of Commerce, luncheon for Treasury officials, and White House luncheon, luncheon for Agribusiness)	621	
Receptions (includes press receptions and other special receptions)	4,965	$20
Supplies, refreshments and other miscellaneous	3,333	135
Total	9,501	155

[1] Amounts as of the first quarter.

OFFICE OF THE SECRETARY, UNDER AND ASSISTANT SECRETARY OFFICES

Mr. **Whitten**. For the record, please provide a table showing the number of personnel assigned to the Office of the Secretary and each Under and Assistant Secretary's Office. Please include in that table the number of personnel at each grade level.

Ms. **Vila**. I will be happy to provide this table for the record.

[The information follows:]

OFFICE OF THE SECRETARY, UNDER AND ASSISTANT SECRETARY OFFICES

NUMBER OF PERSONNEL BY OFFICE AND GRADE

Note: Listings include both filled and vacant positions.

Immediate Office - 22

GRADE	NUMBER
EX-1	1
ES-6	2
ES-3	1
ES-2	2
ES-1	1
GM-15	2
GM-14	3
GS-12	3
GS-10	1
GS-9	1
GS-8	2
GS-7	1
GS-6	1
WG-8	1

Office of the Deputy Secretary - 5

GRADE	NUMBER
EX-2	1
GM-15	1
GS-12	1
GS-10	1
WG-6	1

Office of the Under Secretary for International Affairs & Commodity Programs - 5

GRADE	NUMBER
EX-3	1
ES-5	1
ES-1	1
GS-12	1
GS-10	1

Office of the Under Secretary for Small Community and Rural Development - 5

GRADE	NUMBER
EX-3	1
ES-6	2
GS-12	1
GS-8	1

Office of the Assistant Secretary for Marketing & Inspection Services - 5

GRADE	NUMBER
EX-4	1
ES-4	1
GS-14	1
GS-10	1
GS-9	1

Office of the Assistant Secretary for Economics - 5

GRADE	NUMBER
EX-4	1
ES-6	1
GS-14	1
GS-11	1
GS-9	1

Office of the Assistant Secretary for Science & Education - 5

GRADE	NUMBER
EX-4	1
ES-6	1
GM-15	1
GS-11	1
GS-9	1

Office of the Assistant Secretary for Natural Resources and Environment - 5

GRADE	NUMBER
EX-4	1
ES-3	1
GM-14	1
GS-11	1
GS-8	1

Office of the Assistant Secretary for Food & Consumer Services - 5

GRADE	NUMBER
EX-4	1
ES-1	1
GM-15	1
GS-10	1
GS-9	1

Office of the Assistant Secretary for Congressional Relations - 15

GRADE	NUMBER
EX-4	1
ES-6	1
GM-15	3
GS-13	6
GS-11	2
GS-8	1
WG-6	1

Office of the Assistant Secretary for Administration - 5

GRADE	NUMBER
EX-4	1
ES-5	1
GM-15	1
GS-10	1
GS-9	1

Mr. WHITTEN. One of the largest program increase requests occurs in the Assistant Secretary for Natural Resources and Environment. Please explain why this Assistant Secretary's account increases significantly more than others.

Ms. VILA. The increase for this office is for increased pay and operating costs. A portion of the increase, $22,000, is for program operating costs and an additional $20,000 is for inflation. The total increase is needed to provide an adequate level of leadership, policy planning, guidance and oversight to the Forest Service and the Soil Conservation Services.

CONGRESSIONAL RELATIONS

Mr. WHITTEN. Please provide for the record a three-year table showing the number of staff years and the cost assigned for congressional relations functions for the Assistant Secretary for Congressional Relations and each USDA agency.

Ms. VILA. I will be happy to provide this table for the record.

USDA CONGRESSIONAL LIAISON

(Dollars in Thousands)

AGENCY	1989		1990		1991	
	Employment	Staff-Years	Employment	Staff-Years	Employment	Staff-Years
AMS:						
Professional	2	2	2	2	2	2
Clerical	1	1	1	1	1	1
Budget Auth.		$156		$162		$162
FGIS:						
Professional	--	--	2	1	2	1
Clerical	--	--	--	--	--	--
Budget Auth.		$0		$55		$57
SCS:						
Professional	2	2	2	2	2	2
Clerical	1	1	1	1	1	1
Budget Auth.		$134		$139		$143
OT:						
Professional	1	1	1	1	1	1
Clerical	--	--	--	--	--	--
Budget Auth.		$30		$30		$30
FSIS:						
Professional	3	2	3	3	3	3
Clerical	1	1	1	1	1	1
Budget Auth.		$138		$185		$188
FS:						
Professional	1	1	1	1	1	1
Clerical	1	1	1	1	1	1
Budget Auth.		$43		$45		$48
ASCS:						
Professional	3	3	3	1	3	3
Clerical	1	1	1	1	1	1
Budget Auth.		$134		$130		$156
REA:						
Professional	1	1	1	1	1	1
Clerical	--	--	--	--	--	--
Budget Auth.		$59		$60		$68
FCIC:						
Professional	3	1	3	1	3	1
Clerical	1	1	1	1	1	1
Budget Auth.		$98		$98		$104
FmHA:						
Professional	7	6	7	6	7	6
Clerical	3	2	3	2	3	2
Budget Auth.		$391		$411		$429
OSec a/						
Professional	3	5	12	12	12	12
Clerical	2	2	3	3	3	3
Budget Auth.		$497		$951		$1,095
ARS						
Professional	2	2	2	2	2	2
Clerical	1	1	1	1	1	1
Budget Auth.		$138		$142		$145
FAS						
Professional	3	3	3	3	3	3
Clerical	1	1	1	1	1	1
Budget Auth.		$142		$146		$151

USDA CONGRESSIONAL LIAISON (Continued)

(Dollars in Thousands)

AGENCY	1989		1990		1991	
	Employment	Staff-Years	Employment	Staff-Years	Employment	Staff-Years
FNS						
Professional	4	4	4	4	4	4
Clerical	2	2	2	2	2	2
Budget Auth.		$241		$244		$249
APHIS						
Professional	4	2	4	2	4	2
Clerical	--	--	--	--	--	--
Budget Auth.		$107		$117		$120
OICD						
Professional	1	1	1	1	1	1
Clerical	--	--	--	--	--	--
Budget Auth.		$41		$42		$43
OIG						
Professional	2	2	2	2	2	2
Clerical	--	--	--	--	--	--
Budget Auth.		$102		$102		$102
PSA:						
Professional	--	b/	--	b/	--	b/
Clerical	--	b/	--	b/	--	b/
Budget Auth.		$27		$28		$33
TOTAL						
Professional	42	38	53	45	53	47
Clerical	15	14	16	15	16	15
Budget Auth.		$2,478		$3,087		$3,323

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a/ This activity was funded in Congressional Relations of Office of Governmental and Public Affairs in FY 1989

b/ Less than 0.5 staff-years

Mr. **Whitten**. Your Hazardous Waste Management Program started in fiscal year 1988 at a cost of approximately $2 million. Your request for fiscal year 1991 is over $29 million, an almost 50 percent above fiscal year 1990 appropriation. As you did last year, please provide us with a listing of the sites that you intend to review and/or clean up during fiscal years 1990 and 1991. Provide the associated costs with each activity.

Ms. **Vila**. I will be happy to provide the information.

[**Clerk's note**.—Information provided on site-by-site identification was too lengthy to reprint. The information will be retained in Committee files. Information on hazardous waste management funding by Agency follows:]

Hazardous waste management funding for projects

[Fiscal year 1990, budget authority in thousands]

Agricultural Research Service	$5,800
Animal and Plant Health Inspection Service	365
Farmers Home Administration	489
Food Safety and Inspection Service	200
Forest Service	12,800
Soil Conservation Service	173
Office of General Counsel	100
Total	19,927

The attached project listing for FY 1990 is in the process of being revised to reflect the $19,927,000 available for FY 1990.

Mr. **Whitten**. Mr. Myers?

Mr. **Myers**. Thank you, Mr. Chairman.

PREPARATION OF THE BUDGET

Ms. Vila, did you prepare this budget request for the Department administration and the Office of the Secretary?

Ms. **Vila**. No.

Mr. **Myers**. Did you have any input into the preparation of this budget request?

Ms. **Vila**. Absolutely none.

Mr. **Myers**. None whatsoever?

Ms. **Vila**. None whatsoever. I was confirmed on November 28.

Mr. **Myers**. Steve, the budget request that comes from this agency, is just for the housekeeping, is that correct?

Mr. **Dewhurst**. Yes, sir, that is correct.

Mr. **Myers**. And who prepared this budget?

Mr. **Dewhurst**. Well, the budget was prepared by Ms. Vila's predecessor, Mr. John Franke, and then reviewed by the Department and OMB and so forth in the normal course of budget development. Mr. Franke's recommendations were submitted to the Secretary on July 17, 1989. After review by the Deputy Secretary and the Secretary, the Department's proposals were submitted to OMB on September 1, 1989. OMB's review took place during October and November 1989. All of this preceded Ms. Vila's confirmation.

Mr. **Myers**. What authority does the Assistant Secretary for Administration have in preparing recommendations for the rest of the programs that the Department of Agriculture has the responsibility to carry out?

Mr. Dewhurst. The Assistant Secretary for Administration is not involved in that. Each Under and Assistant Secretary in each area presents his or her own budget to the Secretary, and the Assistant Secretary for Administration is not involved in making those programmatic decisions.

ASSISTANT SECRETARY RESPONSIBILITIES

Mr. Myers. Secretary Vila, what would be your responsibilities then? Would you just very briefly tell us what your responsibility is as Assistant Secretary for Administration?

Ms. Vila. The Assistant Secretary for Administration is responsible for personnel issues, information resource and financial management, advocacy and enterprise, and the physical operation of the buildings related to the Department of Agriculture.

Mr. Myers. With the programs to be administererd, are there staff meetings conducted by the Secretary himself? Do you attend those kinds of meetings? Do you participate in those meetings when they are talking about administering programs and what the program will be?

Ms. Vila. No, sir. I attend the Secretary's senior staff meeting at which general issues affecting the Department are discussed. I am not involved, as the Assistant Secretary for Administration, in the administration of any program other than the ones under my direct control.

Mr. Myers. I am told that there have been a number of meetings by the Secretary and by other Under Secretaries and Assistant Secretaries, pertaining to the new farm bill that is hopefully going to be passed sometime this year. Do you participate in any of the meetings where the new farm bill is discussed?

Ms. Vila. I have been invited to those meetings, and it was felt that it would be a good learning experience for me to attend, since I had just arrived to the Department. I have attended briefly a couple of those meetings, but not at the formulation of policy level, more at the discussion of the final product.

SERVING THE FEDERAL GOVERNMENT

Mr. Myers. Well, today it is not easy to serve in Government. I guess it never was, but I think 30 years ago or 25 years ago when I came, it seemed to be a lot easier than it does today.

Certainly, agriculture has always been a tough issue. I remember one of our former colleagues years ago when I was on the Ag Committee. He used to say, "Whenever a new Secretary is appointed, I am against him right then. I am never for him, whether he be Democrat or Republican. I always come out working against the Secretary of Agriculture. I get more votes that way." I guess it is pretty well true. We have become somewhat of a negative society.

LACK OF PUBLIC AWARENESS

But as the Chairman has said, we are out to help farmers and help farmers survive because too many people in our country do not realize the dependence upon agriculture. I can remember when I was on the agriculture authorizing committee, we used to have hearings around the country and it was shocking to see the people in urban areas who did not realize the dependence they had upon agriculture. Somebody has to be out there.

So, as the Chairman has said, we all have responsibilities. The Department of Agriculture does have the responsibility of trying to make agriculture work and keep farmers out there on the farms. It is not an easy job today. Our task here is to see that the people's money is spent to help agriculture in the best way possible and to keep as many farmers on the farm as we can. We have to work at it together.

SERVICE TO THE FARMERS

But you do have a difficult job. I guess if I had to give a description of your job, I would say "housekeeping."

Ms. **VILA**. That is true. Our job is to help the others provide the services to the farmers.

And we believe strongly that if we are able to recruit the best and the brightest into the Department of Agriculture, then the farmers and our consumers will be the winners, because we will have the most talented people helping the farmer.

Equally important, we believe that to the extent that we can modernize our processes, whether administrative in nature, payroll, or operations, that the farmer will be the winner because the services can then be provided to the farmer more directly and more cost effectively. However, in departmental administration, our responsibility is to implement those programs and policies to help the agencies. The folks that work directly for me are not engaged in helping the farmer directly. But we do believe that any improvement that we make will be a direct benefit to the farmer.

RECRUITMENT

Mr. **MYERS**. You touched upon the last question I have. In recruiting today, are you getting competent, qualified people? Are you getting enough of them to fill the vacancies? Do they come with an agricultural background or at least agricultural knowledge? Because we sit on Appropriations Committee, we often inquire about the person sitting out there, including what experience they have. Often, they do not have any experience whatsoever in the areas to which they are charged the responsibility of administering.

What about in agriculture? Are you getting agricultural types? Are qualified people applying for the jobs that we have to fill?

Ms. **VILA**. Yes and no, sir. It depends very much on the discipline.

One of the most exciting opportunities available to the Department of Agriculture today is to reach out to young people and explain to them that agriculture is many things, that it is agroeconomics, that it is information systems, that it is economics, that it is no longer limiting, and that a career in agriculture can include biotechnology, chemistry, and veterinary medicine. We are having a difficult time communicating this to young people early enough in their careers so that they can get the proper training to be part of that best and the brightest that we need.

Also, within USDA many of our agencies are competing with each other for those very same talented young people. This GAO report that I alluded to has been under way for the last two years. Their research indicates that we need to do more to develop the curriculum at the agricultural schools. For example, we should expand beyond agricultural economics to agricultural marketing since so much of what we need to do is to market the products of our farmers. This is a long-term effort that we must begin now, if we are to be ready, for the year 2000 and the complex and cross-cutting as the issues facing agriculture today.

Mr. MYERS. Well, thank you for your testimony.

Mr. WHITTEN. Mr. Skeen?

Mr. SKEEN. Thank you, Mr. Chairman.

Ms. Vila, you started to mention something a moment ago, and we did not quite get the chance to finish the statement, about salary increases insofar as how it affects your recruitment. You stated something to the effect that the budget last year provided extra salary money or that there had been some extra money allocated for salaries. Would you finish that statement, or can you illuminate on it and fit it into the framework or how it has helped. Plus, where we are standing in our recruitment to bring people into Government service in your department.

Ms. VILA. I am not aware of last year, but perhaps Mr. Dewhurst can comment.

Mr. SKEEN. Well, this year then.

Ms. VILA. This year?

Mr. SKEEN. Okay.

Ms. VILA. What I was referring to——

Mr. SKEEN. That is what you were talking about was this year.

Ms. VILA. This year's request.

Mr. SKEEN. Okay.

Ms. VILA. The Congress, trying to resolve the issue facing the recruitment process in the Federal Government, passed a law to increase senior executive level salaries. To make up for that increase in salary within the Office of the Secretary is difficult without asking for extra funds because that is such a small budget. We feel that we needed to ask for extra funds to be able to pay for that increase. That is where most of the increase in the Office of the Secretary budget comes in.

Mr. SKEEN. Well, has your problem in recruitment been primarily related to salaries or other issues as well?

Ms. VILA. The experts indicate that there are a number of problems. Congressman Myers referred to one, and that is that it has become difficult to serve in Government. Many organizations, including the Federal Executive Institute, have taken surveys which indicate that many people who would have otherwise been engaged—I am talking about the career service rank, people who would have stayed in Government 20 or 30 years, no longer feel the same commitment to public service. A lot of it has to do with what they perceive as a lack of respect for the profession of public service.

But certainly salaries play a part. We have read in both professional journals, as well as daily newspapers, that Government salaries have not kept up with the salaries in the private sector, or in some cases in State governments from where I come. Many people end up having to take a salary cut to accept Federal employment from State government.

EQUIPMENT MODERNIZATION

Mr. SKEEN. To some extent your discussion has included talk about the modernization of your equipment, particularly in the data field. And I think I have taken this as sort of a cause celebre to ask agencies about where they really stand, what do they need to do, how far behind or ahead are they, and what is it going to cost, and how much time is it going to take.

Give me some idea about your operations. I know that you have already mentioned your modernization program. Give me some idea of what you are talking about in funding. Where are you? At what level? Are you fully funded? Do you have enough to get the kind of equipment update that you need in modernization? And also, how long is it going to take to get yourself in what you consider a very efficient position as far as data processing?

Ms. VILA. This committee has been very generous in the past with the Department in appropriating funds for improved equipment and for modernization of our equipment.

Now we are moving into a long-term, strategic plan that not only will require the improvement of some of the equipment itself, but, more importantly, will allow the integration of the equipment. Over the last five or so years, as the different agencies tried to modernize, there was not always the most coordinated effort in making sure that the computers could basically speak to each other.

What we are trying to do now—this effort was begun before I came and we are continuing it—is to have a strategic plan. We have an initial plan already in place so that as we go on either to modernize the equipment further or integrate it, that there is an overall USDA perspective as opposed to an agency-by-agency perspective. And this planning is what we have been spending our energy on.

Mr. SKEEN. I want to commend you and encourage you to keep that program ahead of the curve, if you can, because of the nature of the fast change in equipment and technology and so forth. And I think it has to be an ongoing program and you have to stay a little ahead of it. Otherwise if we are stealing from it to take care of personnel—and only use that term meaning within the agency, not an illegality of any kind. But if you are stealing from data processing to service the personnel side of your equation over there, why——

Ms. VILA. No, no. We are not doing that at all.

Mr. SKEEN. No. I did not say you had, but I know that in many agencies they have in the past, and it is bad practice. And so, what I am saying to you is I think you have a great program because you are going to have to try to attend to both needs. Personnel, of course, is of a high priority, but also the data processing.

And I commend you on the program. I think you are far-sighted. And you also display a real experience and background in that kind of work.

Ms. VILA. Thank you.

Mr. **Skeen**. Thank you.

Thank you, Mr. Chairman.

Mr. **Whitten**. Mr. Durbin?

Mr. **Durbin**. Thank you, Mr. Chairman. I just have one or two questions. I apologize for being late, but I had several other hearings before I could get over here. Thank you for coming by.

SUMMER INTERNSHIP PROGRAMS FOR MINORITIES

Let me ask you about your summer internship programs. It appears from your testimony that they are being targeted toward black students. Do you try to include other minority groups in this summer internship?

Ms. **Vila**. Unfortunately, Mr. Durbin, when I arrived, this initiative was already underway. And the initiative as it exists right now was geared primarily to the 1890 land grant institutions, which are predominantly black, and Tuskegee University, which is predominantly black.

I am happy to report that since I came on board on November 28, I have had meetings with both Congressman de la Garza and Senator Hatch to find how we can penetrate schools that are Hispanic or that have a high population of Native American students. Our efforts, I believe, will be strengthened to the extent that we can reach into all of the under-represented classes so that all of these young people who may not be fully cognizant of the expansive nature of agriculture today, would have an opportunity to consider agriculture and USDA as a career.

Mr. **Durbin**. Do you need any changes in authorizing legislation to expand these internships to cover other under-represented groups?

Ms. **Vila**. I am grateful of your offer, Mr. Durbin. I think that because I have been at USDA such a short period of time, that I would like to become more aware of exactly how we can reach out.

Just last week, we had a job fair in Texas where we have begun to reach out into the predominantly Hispanic institutions. One very interesting point is that if we are going to recruit Hispanics and Native Americans, the approach may not necessarily be the same to be as effective. For example, most Hispanic youths are attending two year colleges, as opposed to four year institutions. Therefore, it would be more beneficial in recruiting them to target the two year colleges than the four year universities.

Mr. **Durbin**. But do you feel that you have the authority now to go ahead and to expand your recruitment beyond the initial internship program for the 1890 land grant colleges?

Ms. **Vila**. To the best of my ability, right now from what I have been able to learn in three months here, yes. I am comfortable with that. I would appreciate it if you would leave your offer open——

Mr. **Durbin**. Sure.

Ms. **Vila** [continuing]. For a little bit longer until I am more aware of what is needed.

Mr. **Durbin**. And, of course, we would be willing to work with Chairman de la Garza or anyone else in that regard.

Ms. VILA. He has been most supportive. In fact, he was one of our keynote speakers at our first Hispanic youth outreach fair in Texas and has offered his help and that of the Hispanic Caucus to help us reach out to the Hispanic youth.

Mr. DURBIN. And I will bet he told his submarine story.

But I thank you very much for testifying and thank you, Mr. Chairman.

TREATMENT OF FARMERS

Mr. WHITTEN. May I say that we have stayed on this subject a whole lot today, but we have been greatly disappointed with the treatment that agriculture has received back through the years. The biggest advantage we have over the rest of the world is our ability to provide food. We have an open door policy for the rest of the world's goods but they close the door on ours. I have said it many times here that over 600 truckloads a day from Mexico come across at a single border crossing. So, we are letting all our domestic industry down because of the one way competition.

TOP USDA MANAGEMENT

This is not directed to you, but I am of the opinion that the average, run-of-the-mill folks in the Department of Agriculture are even better than average. Our trouble has been with people at the upper level. We have had Secretaries who did not believe in what they were doing. I have had to call the White House to straighten out things several times.

The head of FmHA decided that he was down there to collect money from borrowers. He testified that he was brought in to do that. Then he had a policy for borrowers so they had to show they could repay all they owed, plus what the new loan would be in one year. We did not have that policy for any other borrowers of Federal money in the rest of the world.

And, of course, then at the same time you couldn't borrow from FmHA, the FDIC cracked down on the banks for making farm loans. We have a whole lot of banks right now that are right on the edge of bankruptcy. They asked the Department to come up with the guarantee loan program. Well, the guarantee is no good unless the bank wants to accept the loan.

I point all these things out because our problems have not been with career employees of the Department but with the policy people. So, it bothers me to see them all upset because of wholesale shuffling around as though the Department is an experiment or something. So, that is the reason I raised these points. We have had a fine organization down there, but we have had folks with whom this committee differed but they were at the higher level. I do not know what we can do about it except make the case.

Our colleagues Mrs. Smith and Mrs. Boggs have some questions they would like answered for the record.

Good luck to you, and I hope we can work together. But we have to keep our eye on the ball because, after all, the reason we have our job is because we are supposed to look after what goes on rather than get our friends in key places. Thank you very much.

Ms. VILA. Thank you, Mr. Chairman.

SYSTEMS INTEGRATION

Mrs. SMITH. In your testimony, Assistant Secretary Vila, you say that your area of the Department is pursuing and developing new long-term Information Resources Management, IRM, plans. You add that implementation of these plans would benefit producers and constituents by not requiring the same information requested of them by different agencies of the Department.

As you are aware, I and many other members of Congress receive numerous complaints on the amount of repetitious information requested by the USDA.

When would such a plan be in place? As well, would implementation of such an IRM program resolve such complaints?

RESPONSE. The USDA IRM strategic plan identifies projects, objectives and milestones of varying levels of complexity. Some will be initiated immediately but are long-term in nature. Others, even more long-term in nature, will begin to be developed now but their implementation will be in the future. I expect the plan to be ready within 120 or 180 days.

One of the projects addresses your concern about the redundant collection of information from farm producers and other clients of agriculture programs. This is one of our high priority projects. Initially, we will focus on the farm service agencies using a two-pronged approach: One will be a review of the collection forms to determine whether we are collecting unnecessary information. The other will be the identification of repetitious, but necessary questions and development of a method to maintain those common pieces of information in a local database that can be shared by the various agencies. Much of this will be personal information requiring appropriate security measures, but we are convinced it can be done. We will continue to refine this approach and expand it to other information collections which should resolve some of the complaints you and other Members are receiving.

HAZARDOUS WASTE MANAGEMENT

Mrs. SMITH. In reviewing the President's budget request for FY 91, I also find that nearly $29.6 million is requested for hazardous waste management. This is a $9.7 million increase over the $19.2 million provided in FY 90.

Would you briefly explain to the committee how this money is used?

RESPONSE. The funding will be used to comply with the Comprehensive Environmental Response, Compensation, and Liability Act, CERCLA, as amended by the Superfund Amendments and Reauthorization Act (SARA) and the Resource Conservation and Recovery Act, RCRA. For fiscal year 1991 a significant portion of the funding will be for cleanup activities under CERCLA. This will include remedial action to eliminate the release of toxic chemicals into both the air and surface and ground waters at old abandoned mining sites. It will include the cleanup of soil contamination from past waste pesticide and herbicide disposal at research laboratory facilities. The RCRA program will continue to correct problems with underground storage tanks. The committee has a list of all the individual projects included in the budget request. All of the requested funding is for facilities that have been indentified as not being in compliance with standards or which will be in violation if funding is not received.

The CERCLA program has a definite structure that must be followed in responding to releases of hazardous wastes. Projects progress from the site discovery phase, through the preliminary assessment and site investigation phases, in some instances through the remedial investigation/feasibility study phase, into actual remediation (cleanup) and then into the operation and maintenance and monitoring which may continue for many years. While the process is structured the solutions and costs of compliance can vary from the relatively simple to the extremely complex. The following are case examples of CERCLA/SARA.

CASE EXAMPLES OF CERCLA/SARA PROJECTS UNDERWAY

Yakima Agricultural Research Laboratory—Yakima, Washington

Between 1965 and 1984, the use of septic system for disposal of pesticide rinse water and residues resulted in soil contamination and possible ground water contamination. An initial contract installed monitoring wells, collected and analyzed samples, and related activities for a cost of $292,800. A resultant report of findings indicated that while soil contamination had occurred, the ground water had not been affected. Submission of the report to EPA resulted in approval to prepare a RCRA closure plan which included a Statement of Work for the required cleanup activities. A draft plan with subsequent revisions based on EPA and State of Washington reviews has been presented for public comment. A solicitation package is ready for release upon EPA's formal notice that the closure plan is approved. The estimated cost for cleanup of site contamination, closure of the facility under RCRA regulations, post-closure monitoring and delisting from the National Priority List is $500,000.

Burke County Warehouse—Alexander, GA

This inventory property which encompasses approximately 3 acres in rural Burke County is an abandoned agricultural facility contaminated with a variety of chemicals, including DDT, toxaphene, and methyl parathion. It is adjacent to 3 aquifers that supply much of Southern Georgia with water. Test on these aquifers have thus far not produced evidence that contaminants are present in excess of Federal guidelines. An Interagency Agreement between the Environmental Protection Agency (EPA) and the Farmers Home Administration has been completed in which the EPA will take the lead role for cleanup. The EPA secured the site which included moving leaking drums into buildings, inspecting the property and checking soil contamination. The estimated cost of cleanup under a worst case scenario is $439,000.

Meat Animal Research Center—Clay Center, NE

This location was previously a Navy facility and is currently a generator of hazardous waste. The location has an incinerator, lagoon, and land disposal site where hazardous substances or wastes may have been treated or disposed. The Navy is developing a plan to remediate its inactive sites. The Agricultural Research Service (ARS) entered into an Interagency agreement with the Department of Energy for environmental auditing and preremedial services. The estimated cost of the preremedial activities is $100,000. The cost of remedial action (cleanup) is currently unknown.

Holden Mine Tailings Piles, Wenatchee National Forest—Holden, WA

This site involves approximately 90 acres of mine tailings from copper, zinc, gold, and silver mining operations conducted from 1938 to 1957. Approximately eight million tons of tailings were produced. Site investigations, on-site sampling and other necessary preremedial work has been completed. In addition, a multi-year cleanup contract has been awarded. Cleanup is planned to be completed by calendar year 1992, with followup monitoring required by the State of Washington. The total estimated cost of the cleanup is $8,280,000.

Northwoods Sanitary Landfill (St. Louis County Landfill), Superior National Forest—Ely, MN

This site is an active sanitary landfill operated by the county under a Forest Service (FS) special-use permit. Active landfilling is slated to cease this year, at which time a solid waste transfer station/recycling center now being constructed on adjacent property will begin serving the solid waste disposal needs of the local area. The landfill is the subject of a proposed land exchange between the FS and the county. The exchange will not be consummated until active landfilling ceases and all closure requirements of the State and FS permits are met. The ground water immediately downgradient from the landfill area has been subjected to a priority hazardous pollutant scan. Twenty-seven hazardous constituents were detected in ground water sampled from two wells. Fourteen of these constituents were found with concentration above state-mandated intervention limits. Resistivity and ground-penetrating radar measurements made at the landfill support the presence of a contamination plume, but the lateral extent of the plume is unknown. Results of the work to-date has been used to design a detailed study of groundwater flow patterns. Information currently available will be used to complete the required preliminary assessment and site investigation reports for submission to EPA. Estimated costs of remedial action is unknown, however, as landowners the FS is ultimtely responsible for any necessary compliance measures.

Mrs. SMITH. In addition, how successful has the USDA been in complying with various state and environmental laws regarding waste handling and disposal?

RESPONSE. We believe that the USDA agencies have been very successful in complying with the various Federal and State environmental laws regarding waste handling and disposal. Individual facilities have received Notices of Violation—NOV's from the Environmental Protection Agency—EPA and State regulatory agencies for needed corrective actions. However, in every instance workable compliance schedules and activities have been negotiated to bring the facility up to the required standard. Nevertheless, the objective of this program and the request for the funding is based on the need to complete the required corrections to prevent the EPA or States from issuing NOV's.

Mrs. SMITH. Why the dramatic increase in your funding request for FY 1991?

RESPONSE. The increase in the funding request is not so dramatic when compared to the FY 1990 request of almost $26.0 million. However, the increase is based on two primary factors. The first is that for many projects, the CERCLA program has progressed from the preliminary assessment and site investigation stages to the much more costly remediation or cleanup phase. While this obviously demonstrates progress in the overall program, it also causes an increased program need. The second factor relates to a need to do some "catch-up" in the overall program as a result of minimal funding when the program was first initiated.

Mrs. SMITH. Assistant Secretary Vila, you cite the Department's efforts to attract minorities and women to positions on staff. You cite figures illustrating increasing hiring in minorities from 26.7 percent to 37.9 percent.

WORK FORCE DIVERSIFICATION

Overall, how effective do you believe these outreach programs have proven?

RESPONSE. We believe that our outreach efforts have had limited success in encouraging minorities and women to consider careers in USDA, but much more needs to be done. Our Liaison Officers at each of the 16 historically black Land-Grant institutions and Tuskegee Institute are working closely with our program agencies on their recruitment needs. There will be 500 summer internships for the 1890 Land Grant institutions this year. We are looking at ways to involve Hispanic Native Americans and other minorities in our outreach efforts as well.

What benefits do you foresee in a more diversified work force?

RESPONSE. Secretary Yeutter has made it a top priority to diversify the Department's work force. Meeting affirmative action goals is a matter of survival. We have looked at the demographics and the projected profile of workers available into the next century, and have found we will be operating in a very tight labor market. There will be shortages of workers with the math-science skills that USDA will need. A high proportion of the available candidates for jobs will be minorities and women. If USDA is going to be a competitive employer in the future, it's going to have to break down the institutional barriers that previously have worked against women, minorities, and disabled Americans. With the projected shortage of qualified workers, we can no longer afford to overlook the talents available from any segment of our population. We are refining recruitment and hiring strategies to ensure that equal employment opportunities are available to all.

NATIONAL FINANCE CENTER

Mrs. BOGGS. Briefly, what is the mission of the National Finance Center?

RESPONSE. The National Finance Center—NFC, the systems and processing operation of the Office of Finance and Management—OFM, is responsible for the designing, developing and operating computerized financial and administrative systems to support the program activities of the Department.

OFM recently prepared a design concept which outlines the Department's approach for the Modernization of Administrative Process—MAP. MAP will change the Department of Agriculture's administrative process from a paper-driven one to an electronic one. The system will revolutionize the administrative workplace and drastically reduce the cost of administration. Using data base technology and a value added approach to data collection, MAP will incorporate the most up-to-date and available financial management systems techniques. When completed MAP will meet both the processing and management information needs of government managers.

The NFC was assigned the task of designing, developing and implementing the computer systems to support these new administrative processes. The NFC has established a special task force to accomplish the assignment. The computer systems, designated the Administrative Integrated Management System—AIMS, are being developed modularly. The AIMS task force is using modern development techniques, such as Rapid Prototyping, to shorten the time to develop and to provide the Department's user community with an effective voice in the ultimate definition of the systems. Several of the modules of the AIMS have been prototyped and they are currently being evaluated by appropriate USDA agencies. The AIMS design includes the Governmentwide Standard General Ledger and the standards established by the JFMIP Core Financial Systems Requirements.

Mrs. BOGGS. What Federal agencies use the services of the Center?

RESPONSE. In addition to the agencies of USDA that use NFC services, current non-USDA, Federal agencies using NFC services include the following:

ACTION; Appalachian Regional Commission; Architect of the Capitol; Department of Commerce; Department of Education; Department of Housing and Urban Development; Department of Interior—National Park Service; Department of Labor, Department of State; Department of Treasury; Farm Credit System Assistance Board; Federal Communications Commission; Federal Deposit Insurance Corporation; Federal Emergency Management Agency; Federal Mine Safety and Health Review Commission; Federal Employee Retirement System/Thrift Investment Board; General Accounting Office; Library of Congress; Merit Systems Protection Board; National Endowment of the Arts; National Gallery of Art; Occupational Safety and Health Review Commission; Office of Government Ethics; Office of the Special Counsel; Small Business Administration; U.S. Commission on Civil Rights; and U.S. Information Agency.

Mrs. Boggs. What is the current operating budget of the Center?

Response. The estimate for total NFC operating costs for FY 1990 is $71,466,000.

Mrs. Boggs. What is the projected budget for FY 1991?

Response. For FY 1991, the estimate is $76,340,000.

FED CO-OP

Mrs. Boggs. The Department, at the direction of the Office of Management and Budget, is conducting an ongoing study of the feasibility of privatizing the NFC as a FED CO-OP. What is the current status of this review?

Response. The report just received from the private accounting firm contracted to perform the feasibility assessment stated that NFC is not a viable candidate for FED CO-OP. The contractor recommended no further consideration of the privatization of the Center under FED CO-OP. The contractor will complete all tasks in support of this review by the end of April.

Mrs. Boggs. Have any preliminary findings resulted from this study?

Response. As a result of this evaluation, the Department has determined that the Center would not be a viable candidate for the FED CO-OP initiative.

Mrs. Boggs. Please describe the methodology of the study?

Response. The FED CO-OP guidelines require that a public accounting firm be contracted to determine the current operating cost of the candidate operation. Studies of the financial operations for the Center were conducted for fiscal years 1987 and 1988. The final review of financial operations for fiscal year 1989 will be completed by mid-April.

An extensive evaluation of FED CO-OP and its applicability to the NFC was begun in September of 1989 and is in the final phase of completion.

Mrs. Boggs. Who is conducting it?

Response. The reviews of financial operations and the feasibility study were conducted by the accounting firm, Gregory K. Washington, C.P.A.

Mrs. Boggs. What are its costs?

Response. The total cost of the contract was $462,156.

Mrs. Boggs. Please provide a time line for the completion of this review.

Response. The contractor's letter report summarizing his findings has been received. We have reviewed it at this time and have decided not to proceed further. A final report is due to be completed within the next 30 days. The final set of financial statements for the year ended September 30, 1989 is due to be completed by the end of April. This will complete our work on this project.

Mrs. Boggs. A number of Federal agencies, including Legislative Branch agencies, have contracted with the NFC for financial mangement services because of the efficiency and quality of work done by the Center as a government agency. Are these clients being consulted about the FED CO-OP proposal?

Response. At this point in time, no clients of the NFC have been consulted. Such contacts would have been part of a later phase of the study.

Mrs. Boggs. Have they had any comments or concerns?

Response. None have been received so far.

Mrs. Boggs. What factors do you expect to weigh in favor of privatization?

Response. We are exploring privatization because it offers the potential for improved efficiency, effectiveness, and economy in the services we provide to USDA and non-USDA agencies. The feasibility study was an effort to determine whether such promise could be fulfilled for the National Finance Center.

Mrs. Boggs. What factors do you expect to weigh against privatization?

Response. Regarding factors weighing against privatization of the NFC, two of the primary considerations are the sheer size of the NFC and the range of services it provides. NFC's operating budget is over $70 million. It manages more than 20 separate financial and administrative systems and provides service to more than 40 agencies in USDA and more than 20 non-USDA agencies. We believe that the NFC is too large and diverse an enterprise to serve as the first candidate for privatization under FED CO-OP.

The contractor's feasibility assessment also identifies a number of constraints to implementation of FED CO-OP at NFC which weigh against privatization. They include the following:

Conflict-of-interest and ethics-in-government laws and regulations as they apply to senior managers' duties after privatization.

Cost estimation problems stemming from outplacement provisions of FED CO-OP.

Uncertainty regarding the ability of the privatized firm to retain senior ADP staff needed for continued operation and maintenance of application software.

Nature of activities to be privatized are critical to the successful management and operation of USDA and non-USDA agencies. Privatization incurs a risk of degradation of service to these agencies.

The private firm winning a competition to manage NFC operations would hold a virtual monopoly position, suggesting enormous future cost implications.

Risk of increased cost to USDA agencies, should non-USDA agencies decide not to share the risks of privatization.

Unresolved problems in establishing and operating an Employee Stock Option Plan.

We also hasten to point out that OMB has publicly stated in its *Major Policy Initiatives, Fiscal Year 1989* on page ninety, that no money will be saved by going this route.

Mrs. BOGGS. If the conclusion of the study indicates the benefits of a FED CO-OP outweigh the liabilities, what steps would be necessary to conclude the conversion?

RESPONSE. If we had decided to proceed with FED CO-OP at NFC, we would have been obligated to take certain actions required by FED CO-OP guidelines. For instance, we would have had to survey NFC employees to ascertain their willingness to participate in the transfer of NFC operations to private management. As part of that survey, we would have prepared and furnished to NFC employees all pertinent information regarding the responsibilities and options for all interested parties.

Also, we would have been obligated to inform NFC's customers of our intention to proceed with privatization under FED CO-OP. We would have had to present customers with our implementation plan and a detailed explanation of the impact of FED CO-OP on NFC operations and future costs. We would have had to obtain clarification from guidance agencies on constraints identified by the contractor that we mentioned earlier.

Finally, once these hurdles were negotiated, we would have begun the contracting process. A statement of work, with appropriate safeguards to protect the Government and the integrity of the services of the NFC, would have had to be prepared. Appropriate contract and operations oversight mechanisms would have had to be established. Due to the size and scope of the activities being privatized, we would have ensured that the operations and oversight mechanisms were sound so quality service would be maintained.

Implementation would proceed deliberately to guarantee that taxpayers' monies were spent wisely and customer service did not suffer in the process.

Mrs. BOGGS. What role would Congress have in this process?

RESPONSE. We would have asked Congress to consider whether any legislation were necessary to implement FED CO-OP at the NFC. The regular oversight Congress provides for operations and funding of these services would apply as well. Congress would have been asked to consider the effects privatization might have had on employees at the NFC.

Mrs. BOGGS. Are any other agencies under consideration for FED CO-OP conversion?

RESPONSE. It is my understanding agencies considered as FED CO-OP candidates in recent years include the National Technical Information Service, the Defense Mapping Agency, the U.S. Geological Survey, the Customs Service, and the National Weather Service. According to a General Accounting Office report, "Federal Personnel: Status of the Federal Employee Direct Corporate Ownership Opportunity Plan," dated April 1989, no agencies are currently considering FED CO-OP.

DEPARTMENT OF AGRICULTURE
OFFICE OF ASSISTANT SECRETARY FOR ADMINISTRATION
WASHINGTON, D.C. 20250

ADIS MARIA VILA

President Bush nominated Adis Maria Vila Assistant Secretary of Agriculture for Administration on September 13, 1989. After her confirmation by the United States Senate on November 22, 1989, she was sworn in by Secretary of Agriculture Clayton Yeutter (pronounced "Yighter").

As Assistant Secretary, Ms. Vila is the Senior Official for: Personnel Management, Information Resources Management, Equal Employment Opportunity, Internal Controls, Committee Management, Health and Safety, Debt Management, and Procurement.

Prior to her nomination Ms. Vila was Secretary of the Department of Administration for the state of Florida, where she administered a statewide personnel system for over 100,000 career employees; the retirement systems for state, county, and school district employees; the group health, life, and disability insurance plans available to all former and active state employees, and the state's pilot child care center for children of state employees. Ms. Vila also represented the Governor in collective bargaining matters.

From 1986-1987 Ms. Vila served as Director of the Office of Mexico and the Caribbean Basin in the International Trade Administration, U.S. Department of Commerce, and from 1983-1986 as Special Assistant to the Assistant Secretary of State for Inter-American Affairs. In connection with her selection as a White House Fellow in 1982, Ms. Vila served in the Office of Public Liaison at the White House. She practiced law with the firm of Paul and Thomson in Miami from 1979-1982.

A member of the District of Columbia and Florida Bars, Ms. Vila received a law degree with honors from the University of Florida in 1978, and a Bachelor of Arts in mathematics with distinction from Rollins College in 1974.

Ms. Vila earned a master's degree in international law with high honors from the Graduate Institute of International Studies, Geneva, Switzerland. She undertook additional post-graduate work at the Hague Academy of International Law at the Hague, the Human Rights Institute in Strasbourg, France, and the Escuela Libre de Derecho in Mexico City.

She is a Director of the Rollins College Alumni Council, and a member of the Council on Foreign Relations, Women Executives in State Government, and the American Council of Young Political Leaders. She has been named "One of 10 Outstanding Young Women of America," and "One of the 100 Most Influential Hispanics in the United States."

Ms. Vila has traveled extensively throughout the Americas, Europe, India, and the Far East. She is fluent in 3 languages. A naturalized U.S. citizen, Ms. Vila was born in Cuba in 1953 and immigrated to the United States in 1962.

OFFICE OF THE SECRETARY
AND
DEPARTMENTAL ADMINISTRATION

Statement of Adis M. Vila,
Assistant Secretary for Administration
Before the House Subcommittee on
Rural Development, Agriculture and Related Agencies

Mr. Chairman and members of the subcommittee, it is a special privilege for me to appear today to discuss the FY 1991 budget request for the Office of the Secretary, Departmental Administration, GSA rental payments and building operations, advisory committees, hazardous waste management, and the services provided to USDA agencies through the Department's working capital fund. I have with me Larry Wilson, Director of the Office of Finance and Management, Connie Gillam, whose office provides budget services to me and Steve Dewhurst, the Department's Budget Officer.

I believe I have joined USDA at a particularly exciting and challenging time. As you have pointed out in the past, Mr. Chairman, the issues of world agricultural trade and marketing, food safety, the environment, research, rural development and nutrition are formidable. We face these challenges at a time when budgets are austere and our agencies are struggling to meet the needs for their services.

As part of the Secretary's management team, I am charged with the responsibility of assisting in effectively administering USDA programs. The Secretary has charged me with two principal goals: to diversify the workforce and to integrate the information systems agencies use for decisionmaking.

Although both of these are of long term orientation, they require immediate attention.

Workforce Diversification

The first major goal is workforce diversification. USDA faces critical workforce problems. As our responsibilities grow and become more complex, we need to acquire the skills to respond to programmatic changes and new technologies. Our traditional recruitment methods have not been entirely successful in meeting these needs. Our scientific agencies face particular problems because enrollment in the agriculture disciplines has been declining. Expertise in fields such as automation and program management is difficult to find. Forty-five percent of the top level staff is now approaching retirement. We must reach out to every possible avenue by recruiting to meet our short-term needs for particular skills and to address the long-term problem of developing the next generation of USDA managers.

In addition, USDA has a responsibility to make its workforce more representative of the national workforce. We must recruit more minorities and make continued employment with us more attractive. We must ensure that the Department's agencies include opportunities for all in their managerial development programs. I am happy to report that we are developing a "work force diversification umbrella plan" for the Department which will address this issue.

I note that there has been some progress toward this goal. Ten years ago the Department's minority permanent employment stood at 12.8 percent and female employment was 26.7 percent. At the beginning of 1989 these figures had improved to 15 percent and 36.2 percent, respectively. During 1989 minority employment increased from 15 percent to 15.6 percent and female employment increased from 36.2 percent to 37.9 percent.

Over the past year the Department began a multi-year effort to coordinate minority personnel recruitment and retention. We are working closely with the 16 historically black 1890 land grant institutions and Tuskegee University. This year, there will be summer internships for 500 students from these institutions. Career awareness and outreach programs have been held in Chicago and Philadelphia agricultural high schools. Job fairs have been held in Atlanta, Boston, Chicago, San Francisco, and Washington, D.C., and two will be held this month in Texas and Louisiana. We are testing several efforts across the Department to determine what changes in the present recruitment and hiring system will make USDA more competitive within the Federal Government in obtaining a quality workforce representative of all segments of our society.

The vast majority of this effort is being carried out by USDA staff offices and agencies within current resources. We propose in the 1991 budget an increase of $179,000 and 1 staff year to aid USDA agencies in anticipating problems with recruitment and retention and implementing an overall strategy for dealing with these problems. We want to build on our past efforts and expand our ability to inform young people about career opportunities in USDA, and provide educational development assistance to middle and high schools, provide curriculum development to two and four year colleges and create an automated data base so that qualified applicants can be matched up with vacant positions on a Department-wide basis.

Systems Integration

Our second goal is to modernize and integrate the Department's administrative, information management, and financial management systems. As you know the Department has made significant investments in automated technology over the past decade. Our annual spending in this area now exceeds $600 million. In past reports this Committee has duly noted the need to closely review the Department's efforts in this area. We want to ensure we are getting the best return on our investment and not duplicating systems. Our agencies do not always recognize the need or the opportunity to integrate their efforts toward our common objective of managing more efficiently and improving our service to farmers, consumers and the general public.

Our most immediate objective is to change the administrative workplace from a paper driven one to an electronic one. In an era of tight budgets our administrative systems must do a better job of serving our program managers at the lowest possible cost. This, in turn, requires that we modernize our administrative process by joining the telecommunications and electronic data processing revolution of the 1990's. We will improve our procurement, personnel, payroll, property management, payments and financial systems at the National Finance Center. We will move to electronic formats and online data systems which will make systems more responsive to our managers while reducing costs. We have a blueprint for change developed by an interagency task force within the Department. To succeed in this effort, we will need this Committee's support and that of many others in the Congress. We expect to phase-in in the next several years elements of this modernization, system-by-system. We hope to accomplish this within existing resources and to use any savings generated for subsequent phases of modernization.

Looking beyond the administrative area we want to help agencies make maximum use of the newest technology in the delivery of their programs. We are developing new long-term Information Resources Management (IRM) plans. Our mission is to provide needed information and technology to support the cost effective delivery of programs to the public. This requires an IRM framework with common data and strategic elements so that information collected by one agency can be used by other agencies, program managers, and top policy managers. This is turn will help to reduce the burden we place on farmers and other constituents now asked to provide the same information by different agencies. Success in this effort involves the creation of common departmental standards, the resolution of issues concerning data security, and the setting of short and long term objectives. Our strategic plan will provide a framework for our overall effort.

Mr. Chairman, I would now like to turn to the specific budget requests which have been made for the activities in my area.

OFFICE OF THE SECRETARY

Funding for the offices of the Secretary that provides policy oversight and direction to the Department is in 11 separate appropriations. The General Accounting Office's Report to the Secretary of Agriculture, Interim Report on Ways to Enhance Management, October 1989, mentions, as a weakness, the greatly restricted flexibility of the Secretary to shift resources to meet an emergency. I am aware that a single appropriation for the Office of the Secretary has been requested repeatedly. We again make such a request, in the interest of efficiency and flexibility. A consolidated account will increase the Secretary's ability to assign and redirect resources among his key policy officials. We would, of course, keep the Committee informed of any shift in resources.

The Secretary is not trying to avoid the oversight and the direction of this Committee by requesting a consolidated account. He needs the advice and assistance of Congress to address the important agricultural issues facing the Nation today, and to keep American agriculture competitive in an increasingly integrated world market.

The fiscal year 1991 budget request for the Office of the Secretary totals $7,786,000. This is a net increase of $492,000 above the current estimate for fiscal year 1990. The net increase is composed of program increases of $1,282,000 partially offset by program reductions of $790,000. The program increases consist of $150,000 for two additional staff years and related costs for the Under Secretary for Small Community and Rural Development. We need the increase to emphasize the development and implementation of rural revitalization initiatives. These initiatives include such activities as rural development programs for the creation of more jobs, and encouragement of private sector participation in guaranteed lending. We also request an increase of $852,000 to cover the costs associated with pay raises and $280,000 for increased operating costs.

A decrease of $790,000 reflects the expiration of the one-time appropriations for special programs on farm exports and investigation of foreign competition.

DEPARTMENTAL ADMINISTRATION

To develop the fiscal year 1991 budget for Departmental Administration, we looked at the challenges we will face during the 1990's. Several key problem areas will be addressed through our efforts to diversify the workforce and integrate systems. These include:

- ★ Recruitment and retention of a diverse, representative workforce;
- ★ Assessment of skills needed by USDA agencies to meet changing program missions;
- ★ Development of the next generation of USDA managers and supervisors;
- ★ Development of integrated information systems that meet the planning and decision making needs of managers and supervisors;
- ★ Management of data and information sharing;
- ★ Improvement and modernization of financial reporting, and administrative systems;
- ★ Development of small and minority owned businesses in rural areas; and
- ★ Encouragement of small and minority participation in Departmental activities and contracting.

These areas require an investment of resources. Yet, we cannot move on all fronts simultaneously. We must pace our efforts. We are mindful of the need to constrain Federal spending. We are targeting areas with the most potential for change. Our modest increases will improve the operational efficiency and effectiveness of the Department.

For Departmental Administration, we request an increase in fiscal year 1991 of $1.3 million. This is 6.0 percent above the fiscal year 1990 appropriation of $22.0 million. Within that $1.3 million increase is a request for $726,000 for increased pay costs. Over the past several years the administrative Staff Offices have absorbed all or major portions of the annual pay cost increases. As a result, we have had to freeze hiring and shift workloads and priorities. These actions result in delayed Department-wide initiatives, concentration of resources on "worst case only" problems, and a general erosion of oversight and guidance to USDA programs and activities. We have attempted to maintain productivity through increased automation. However, machines cannot fully substitute for the personnel needed to conduct our activities. Current salary increases for Senior Executive pay and the requested 50 percent of the fiscal year 1991 pay increase cannot be absorbed without drastic, adverse impact upon staffing our on-going activities. We need this increase to keep pace with the workload and pay our existing staff.

The $1.3 million increase also contains $559,000 for six program increases among four of the Staff Offices. Briefly, these include:

- An increase of $80,000 to increase technical assistance, training, and maintenance of automated personnel information systems at the National Finance Center. This vital database must be maintained, and both USDA and non-USDA users must be trained to use it.

- An increase of $179,000 and 1 FTE for USDA's new recruitment strategy, which has been discussed previously.

- An increase of $23,000 to allow the Department to meet the OMB Circular A-50 "Audit Follow-up" requirements to report semi-annually to Congress on management actions for audit resolution.

- An increase of $137,000 to develop and manage the central USDA motor vehicle information system, as required by the Consolidated Omnibus Budget Reconciliation Act of 1985.

- An increase of $90,000 for the Department to carry out the Small and Limited Resource Farmer Initiative under the Farm Credit Act of 1987. The Office of Advocacy and Enterprise will use the added resources to review state agencies' activities as they relate to FmHA programs, put on conferences for small or limited resource farmers, provide technical assistance and conduct training for agency personnel.

- An increase of $50,000 and 1 FTE for the Department to respond to three recently enacted laws related to small, minority businesses and rural development. These resources will be used to expand minority business participation in government contracting and to encourage rural development through business planning.

The final increase within the $1.3 million is $48,000 for the payment of USDA's share of the National Communications System (NCS) as required by National Security Decision Directive (NSDD) 201. This charge is USDA's share of the NCS contract for development of a Nationwide Emergency Telecommunications Service (NETS).

RENTAL PAYMENTS AND BUILDING OPERATIONS

The larger of these two appropriations finances a portion of the Department's payment to the General Services Administration for space rental and related costs. In fiscal year 1991, the Department requests $49,305,000 for its space inventory. The fiscal year 1991 request is $268,000 over the current fiscal year level of $49,037,000. This budget request also retains $3.0 million of the rental payment for non-recurring repairs.

The Building Operations and Maintenance appropriation funds the Departmental staff and support services to operate and maintain the downtown Headquarters complex. For fiscal year 1991 the request is $25,093,000, an increase of $2,103,000 over the current fiscal year level of $22,990,000. Part of this increase, $2,022,000, is for annual adjustments required by the Fair Labor Standards Act and the Services Contract Act. There are other operating costs that will increase when operations and maintenance contracts are renewed.

ADVISORY COMMITTEES

In the fiscal year 1983 Appropriations Act, the Congress established a single appropriation for USDA Advisory Committees, other than those funded from the Forest Service appropriation or user fees. The fiscal year 1991 request of $1,407,000 is $87,000 less than the current fiscal year 1990 level of $1,494,000. We propose to fund 35 committees under this level, including the National Commission on Agriculture and Rural Development. Within the fiscal year 1991 request the National Plant Genetic Resources Board and the Board on Swine Health are eliminated at a savings of $38,000. Operating levels for several committees have also been adjusted.

HAZARDOUS WASTE MANAGEMENT

A serious challenge to the Nation is the safe disposal of hazardous waste materials. Past disposal methods often created serious environmental problems. These past problems require expensive cleanup programs.

Our fiscal year 1991 budget emphasizes our resolve to play a more active role in protecting the Nation's ground water supplies. USDA's program promotes compliance with the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) and the Resource Conservation and Recovery Act (RCRA). Virtually all the projects identified by this program involve ground water contamination or have the potential for such contamination unless corrective action is undertaken. Sources of contamination include leaking underground storage tanks, abandoned mining wastes, inadequate pesticide disposal and seepage from sanitary landfills or dumps.

We request $29,586,000 for this program in fiscal year 1991. This is a net increase of $9,659,000 above the $19,927,000 million available in fiscal year 1990 after the Gramm-Rudman-Hollings sequestration. The funds allow us to help USDA's agencies meet our goals: to protect ground water resources, to comply with the various environmental laws, to attack problems posed by past hazardous waste disposal practices and to conduct cleanup activities.

This request is the result of a site-by-site review and includes only sites that are currently not in compliance with EPA standards, or that we anticipate will not be in compliance by fiscal year 1991.

WORKING CAPITAL FUND

Finally, I will outline our plans for the Departmental Working Capital Fund for fiscal year 1991. In years past you have heard examples of accomplishments by our Fund-supported activities, enabling USDA program agencies to take advantage of the economies associated with centrally managed administrative services. I am impressed with the quality of service and cost effectiveness of these activities.

However, it is important to reflect upon our goals and our direction in providing administrative services to agencies of the Department. The Fund has expanded greatly since we established a Comptroller to manage the Fund's finances in fiscal year 1983. In fiscal year 1990, we are providing support to 17 service activities in Departmental Administration and 2 activities in the Office of Public Affairs with a budget of $152 million and 1,665 staff-years. Our current funding level is more than twice what it was ten years ago.

The National Finance Center will build on its well-deserved reputation for efficient management and effective services. We are integrating many of our administrative management systems. This will result in improvements in both system efficiencies and cost effectiveness. When fully implemented, USDA agencies will avoid multiple entry of data into different systems, reduce data entry errors, and improve productivity.

Regarding the National Computer Centers, the current state of mainframe computer and telecommunications technology allows us to pursue operating and cost efficiencies in large-scale ADP applications. Building on past successes, most notably the consolidation of the Washington and Kansas City Computer Centers in fiscal year 1988, we will examine the idea of mutual backup systems. Specifically, some IBM system applications operated in support of users of the National Computer Center in Kansas City can be run on systems managed by the National Computer Center in Fort Collins. Similarities in system architecture at the two centers allow each to serve as a backup for the other in the event of power interruptions or natural disasters. We will explore this idea further to reduce operating costs for users of both centers. Costs for ADP services in fiscal year 1991 will be $47,062,000. This includes costs for the National Computer Centers, telecommunications services, and services in support of the Office of the Secretary.

We have requested an appropriation of $3,750,000 in capital procurement support for the Working Capital Fund in fiscal year 1991. This amount would complete the capital improvement initiative USDA and Congress began in fiscal year 1985. For fiscal year 1991 we estimate that the requested appropriation plus additional available funds would provide $15 million for capital equipment acquisitions. These purchases will allow Working Capital Fund activities to avoid $22,639,000 in lease costs over the expected useful life of the assets purchased. The net cost avoidance for Working Capital Fund users from these purchases will be $7,616,000. Only assets that promise to yield lease cost avoidance will be purchased.

These are our most prominent initiatives for fiscal year 1991. They do not diminish the ongoing efforts of our Working Capital Fund activity centers, which consistently strive to provide our program agencies with the highest quality, most cost effective services available. All Working Capital Fund activities are subject to oversight mechanisms that guarantee responsiveness to agency needs. We employ an interagency review board to represent the user perspectives of our program agencies. The Working Capital Fund Comptroller serves as day-to-day financial management officer. I am the individual ultimately responsible for the financial health of the Fund. The regular array of Departmental and Executive oversight groups also review Working Capital Fund activities. This structure has demonstrated its effectiveness in managing the costs and operations of Working Capital Fund-supported activities.

I believe that the $141,555,000 in recurring operations costs and $15,023,000 in capital procurement allocations, including $3,750,000 in appropriated support, reflect our continuing commitment to cost effectiveness and quality service.

This budget supports the overall policy thrusts of the President's FY 1991 budget. Thank you, Mr. Chairman, for the opportunity to discuss USDA's goals and objectives. I will try to answer any questions you or the Committee may have.

OFFICE OF THE SECRETARY

PURPOSE STATEMENT

The Secretary of Agriculture, assisted by the Deputy Secretary, Under Secretaries and Assistant Secretaries, and members of their immediate staffs, directs and coordinates the work of the Department. This includes developing policy, maintaining relationships with agricultural organizations and others in the development of farm programs, and maintaining liaison with the Executive Office of the President and members of Congress on all matters pertaining to Agriculture policy.

The Board of Contract Appeals is a reimbursable activity in the Office of the Secretary. It is the authorized representative of the Secretary of Agriculture to make final administrative determinations for the Department of Agriculture in appeals handled under the Secretary's regulations.

The general authority of the Secretary to supervise and control the work of the Department is contained in the Organic Act (7 U.S.C. 2201-2202). The delegation of regulatory functions to the Department employees and authorization of appropriations to carry out these functions is contained in 7 U.S.C. 450c-450g.

Except for one employee, everyone in the Secretary's Office and the staffs financed from this appropriation are located in Washington, D.C. As of September 30, 1989, there were 90 employees. Of this total, 73 were full-time permanent and 17 were other than full-time permanent employees.

OFFICE OF THE SECRETARY

Available Funds and Staff-Years

1989 Actual and Estimated, 1990 and 1991

	1989 Actual		1990 Estimated		1991 Estimated	
Item	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Direct Appropriation....	$6,400,000	76	$7,294,000	82	$7,786,000	84
Obligations Under Other USDA /Appropriations:						
Board of Contract Appeals...............	849,000	10	899,000	10	968,000	10
Forest Service.........	85,000	1	90,000	1	93,000	1
FCIC Commission........	600,000	--	900,000	--	--	--
Miscellaneous Reimbursements........	28,000	--	--	--	--	--
Total, Other USDA Appropriations........	1,562,000	11	1,889,000	11	1,061,000	11
Total, Office of the Secretary.............	7,962,000	87	9,183,000	93	8,847,000	95

Full-time Equivalent Staff-Years:	1989 Actual	1990 Estimated	1991 Estimated
Ceiling................	87	93	95
Non-Ceiling............	1	4	4
Total................	88	97	99

OFFICE OF THE SECRETARY

Permanent Positions by Grade and Staff-Year Summary

1989 and Estimated 1990 and 1991

Grade	1989 Headquarters	1990 Headquarters	1991 Headquarters
Executive Level I	1	1	1
Executive Level II	1	1	1
Executive Level III	2	2	2
Executive Level IV	7	7	7
ES-6	5	7	7
ES-5	2	2	2
ES-4	2	2	2
ES-3	1	1	1
ES-2	0	2	2
ES-1	5	2	3
GS/GM-18	1	1	1
GS/GM-17	1	1	1
GS/GM-16	3	3	3
GS-15	7	12	12
GS-14	4	6	7
GS-13	5	7	6
GS-12	5	7	7
GS-11	3	6	6
GS-10	4	6	6
GS-9	4	7	7
GS-8	5	7	7
GS-7	2	1	1
GS-6	0	1	1
GS-5	1	0	0
GS-1	0	0	0
Ungraded Positions	2	1	2
Total Permanent Positions	73	93	95
Staff-Years:			
Ceiling	87	93	95
Non-ceiling	1	4	4
TOTAL	88	97	99

OFFICE OF THE SECRETARY

CLASSIFICATION BY OBJECTS

1989 and Estimated 1990 and 1991

	1989	1990	1991
Personnel Compensation:			
Headquarters	$3,489,734	$4,565,000	$5,446,000
11 Total personnel compensation	3,489,734	4,565,000	5,446,000
12 Personnel Benefits..........	692,925	936,000	1,094,000
Total pers. comp & benefits...	4,182,659	5,501,000	6,540,000
Other Objects:			
21 Travel......................	160,942	108,000	131,000
22 Transportation of things	17,974	1,000	1,000
23.3 Communications, utilities,.. and misc. charges.........	453,475	446,000	407,000
24 Printing....................	264,460	129,000	146,000
25 Other services..............	415,969	997,000	427,000
26 Supplies and materials......	184,935	100,000	114,000
31 Equipment...................	100,959	12,000	20,000
Total other objects...........	1,598,714	1,793,000	1,246,000
Total direct obligations............	5,781,373	7,294,000	7,786,000
Position Data:			
Average Salary, ES positions.....	$75,231	$76,925	$96,912
Average Salary, GM/GS position...	$43,187	$44,022	$46,221
Average Grade, GM/GS positions...	11.93	12.00	12.02

OFFICE OF THE SECRETARY

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Office of the Secretary

For necessary expenses of the Office of the Secretary of Agriculture, and not to exceed [$50,000] $75,000 for employment under 5 U.S.C. 3109, [$1,789,000], $7,786,000. Provided, That not to exceed [$8,000] $11,000 of this amount shall be available for official reception and representation expenses, not otherwise provided for, as determined by the Secretary.

[Farm and Export Programs]

[For development of a plan by the Secretary for returning the use of the Commodity Credit Corporation to its primary function which was to buy and sell competitively to enable the farmer to offset high American costs and to maintain his fair share of world markets; and to restore the use of section 32 (30 per centum of customs receipts) as authorized by law, the use of which is presently suspended, to enable the farmer to secure his income from the user of his products rather than the U.S. Treasury and to enable the American farmer to regain and retain, by competitive sales, our normal share of world markets, $400,000.]

[Compilation of Methods used by Foreign Countries to Protect their Domestic Agriculture]

[To enable the Secretary of Agriculture to investigate and compile a listing of the laws and practices used by foreign counties to protect their domestic agriculture from foreign competition and to expand their foreign markets in order to assist the Department in regaining and retaining our fair share of world markets, $400,000.]

[Office of the Deputy Secretary]

[For necessary expenses of the Office of the Deputy Secretary of Agriculture, including not to exceed $25,000 for employment under 5 U.S.C. 3109, $397,000: Provided, That not to exceed $3,000 of this amount shall be available for official reception and representation expenses; not otherwise provided for, as determined by the Deputy Secretary.]

[Office of the Assistant Secretary for Administration]

[For necessary expenses of the Office of the Assistant Secretary for Administration to carry out the program funded in this Act, $470,000.]

[Office of the Assistant Secretary for Governmental and Public Affairs]

[For necessary expenses of the Office of the Assistant Secretary for Governmental and Public Affairs to carry out the program funded in this Act, $414,000.]

[Office of the Assistant Secretary for Economics]

[For necessary expenses of the Office of the Assistant Secretary for Economics to carry out the programs funded in this Act, $454,000.]

[Office of the Assistant Secretary for Science and Education]

[For necessary expenses of the Office of the Assistant Secretary for Science and Education to carry out the programs funded in this Act. $438,000.]

[Office of the Assistant Secretary for Marketing and Inspection Services]

[For necessary expenses of the Office of the Assistant Secretary for Marketing and Inspection Services to carry out the programs funded in this Act, $427,000.]

[Office of the Under Secretary for International Affairs and Commodity Programs]

[For necessary expenses of the Office of the Under Secretary for International Affairs and Commodity Programs to carry out the programs funded in this Act, $419,000.]

[Office of the Under Secretary for Small Community and Rural Development]

[For necessary expenses of the Office of the Under Secretary for Small Community and Rural Development to carry out the programs funded in this Act, $424,000.]

[Office of the Assistant Secretary for Natural Resources and Environment]

[For necessary expenses of the Office of the Assistant Secretary for Natural Resources and Environment to carry out the programs funded in this Act, $445,000.]

[Office of the Assistant Secretary for Food and Consumer Services]

[For necessary expenses of the Office of the Assistant Secretary for Food and Consumer Services to carry out the programs funded in this Act, $412,000.]

This change merges amounts appropriated to the Deputy Secretary, and to Under and Assistant Secretaries with amounts appropriated to the Secretary of Agriculture for the operation of the offices within the Office of the Secretary to reestablish a single appropriation for that Office. The fiscal year 1990 Appropriations Act contained separate appropriation accounts for the Immediate Office, the Office of the Deputy Secretary and each Under and Assistant Secretary.

The fiscal year 1991 budget proposes to reestablish a single appropriation for these activities. The multiple accounts unduly restrict the discretion of the Secretary, to organize the resources to carry out the Department's programs in the most cost effective manner. The Secretary is charged with the responsibility and implementation of national agriculture policies enacted by the Congress. The establishment of multiple appropriations limits his ability to establish priorities and shift resources necessary to meet the challenging conditions of America's agriculture.

The two studies [Farm and Export Programs and Compilation of Methods used by Foreign Countries to Protect their Domestic Agriculture] are not proposed in the FY 1991 budget.

OFFICE OF THE SECRETARY

Appropriation Act, 1990	$6,889,000
Budget Estimate, 1991	7,786,000
Increase in Appropriation	+897,000

Adjustments in 1990		
Appropriation Act, 1990	$6,889,000	
Gramm-Rudman-Hollings Reduction (P.L. 99-177).	-87,000	
Activity transferred from Congressional Relations a/	+542,000	
Activity transferred to Office of Public Affairs b/	-50,000	
Adjusted base for 1990		7,294,000
Budget estimate, 1991		7,786,000
Increase over adjusted 1990		+492,000

a/ Pursuant to the authority given to the Secretary in the Reorganization Plan Number 2 of 1953, functions of the Office of Congressional Relations were transferred to the Office of the Assistant Secretary for Congressional Relations from the Congressional Relations at the beginning of 1990. Actual transfer of funds of $542,000 was made at that time.

b/ Pursuant to the authority cited above, the press office function was transferred from the Offfice of the Secretary to the Office of Public Affairs at the beginning of 1990. Actual transfer of funds was $50,000.

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

Item of Change	1990 Estimated	Pay Cost	Program Changes	1991 Estimated
Immediate Office of the Secretary	$1,716,000	+$177,000	+$50,000	$1,943,000
Farm and Export Programs	395,000	--	-395,000	--
Investigation of Foreign Competition	395,000	--	-395,000	--
Office of the Deputy Secretary	392,000	+58,000	+27,000	477,000
Assistant Secretary for Administration	464,000	+57,000	+23,000	544,000
Assistant Secretary for Congressional Relations	951,000	+108,000	+36,000	1,095,000
Assistant Secretary for Economics	448,000	+61,000	+20,000	529,000
Assistant Secretary for Science and Education	432,000	+61,000	+19,000	512,000
Assistant Secretary for Marketing and Inspection Services	422,000	+57,000	+18,000	497,000
Under Secretary for International Affairs and Commodity Programs	414,000	+74,000	+18,000	506,000
Under Secretary for Small Community and Rural Development	419,000	+85,000	+156,000	660,000
Assistant Secretary for Natural Resources and Environment	439,000	+57,000	+42,000	538,000
Assistant Secretary for Food and Consumer Services	407,000	+57,000	+21,000	485,000
Total Available	7,294,000	+852,000	-360,000	7,786,000

PROJECT STATEMENT
(On basis of adjusted appropriation)

	1989 Actual		1990 Estimated		Increase or Decrease	1991 Estimated	
Item of Change	Amount	Staff-Years	Amount	Staff-Years		Amount	Staff Years
1. Secretary	$1,612,410	24	$1,716,000	22	+$227,000	$1,943,000	22
Special Services	137,448	2	--		--	--	
Natural Resources	230,589	3	--		--	--	
Farm/Export Prog. Plan	--	0	395,000	0	-395,000	--	--
Investigate Foreign Comp	--	0	395,000	0	-395,000	--	--
2. Deputy Secretary	350,718	3	392,000	5	+85,000	477,000	5
3. Under/Asst. Secretaries							
ADM	436,820	5	464,000	5	+80,000	544,000	5
CR	849,401	11	951,000	15	+144,000	1,095,000	15
ECON	410,830	5	448,000	5	+81,000	529,000	5
S/E	384,462	5	432,000	5	+80,000	512,000	5
MIS	365,134	5	422,000	5	+75,000	497,000	5
IACP	404,863	5	414,000	5	+92,000	506,000	7
SCRD	302,295	5	419,000	5	+241,000	660,000	5
NRE	--	--	439,000	5	+99,000	538,000	5
FCS	296,403	3	407,000	5	+78,000	485,000	5
Unobligated balance	618,627	--	--	--	--	--	--
Total available or estimate	6,400,000	76	7,294,000	82	+492,000(1)	7,786,000	84
Transfer from Office of Public Affairs	-497,000	-7	-542,000				
Transfer to Office of Public Affairs	+50,000		+50,000				
Gramm-Rudman-Hollings Reduction, P.L. 99-177	--		+87,000				
Total, Appropriations	5,953,000	69	6,889,000				

Explanation of Program

The Office of the Secretary, Deputy Secretary, Under Secretaries, Assistant Secretaries and their immediate staffs, provide policy and guidance for the department and maintain relationships with agricultural organizations and others in the development of farm programs.

The Office of the Secretary also oversees special programs that are conducted at the behest of the Congress. These programs include short-term studies, investigations, and research on matters affecting agriculture or the agricultural community. One-time appropriations are provided by the Congress to carry out these programs. Program results are reported to the appropriate Congressional committees. Recently, special programs have included:

-- investigation and compilation of a listing of laws and practices used by foreign countries to protect their domestic agriculture from foreign markets; development of a plan to redirect the Commodity Credit Corporation and the use of Section 32 funds.

JUSTIFICATION OF INCREASES AND DECREASES

(1) A net increase of $492,000 consisting of:

(a) An increase of $150,000 for two additional staff years and related costs in the Office of the Under Secretary for Small Community and Rural Development.

Need for Change. The Office of the Under Secretary for Small Community and Rural Development needs additional staff to advise the Under Secretary on rural development issues to work with the State Food and Agriculture Councils, and to coordinate rural development activities with other Federal Departments, State and local governments and other interested organizations, including rural development public interest groups. These responsibilities are consistent with the mandates for rural development policy leadership, contained in the Rural Development Act of 1972 and the Rural Development Policy Act of 1980. Additional staff for this office would also contribute to the development and implementation of rural revitalization initiatives, such as the focusing of rural development programs in the creation of more jobs and encourage private sector participation in guaranteed lending.

Nature of Change. This proposal will increase staff years by two and provide related funding.

(b) An increase of $280,000 for increased operating costs.

Need for Change. These funds will help the Secretary, the Deputy Secretary and Under and Assistant Secretaries to meet rising operating costs.

Nature of Change. This increase will cover costs associated with inflation, e.g. communications, printing, supplies and other services.

(c) An increase of $247,000 for the FY 1989 pay raise and $605,000 for 1991 pay raises, which includes $528,000 for executive pay raises.

Need for Change. The Office of the Secretary is a labor intensive organization and cannot absorb the increased pay costs.

Nature of Change. This increase will cover the costs associated with 1989 and 1991 increases. The total 1990 pay raise is being absorbed.

(d) A decrease of $790,000 for Special Programs.

Need for Change. Special programs on farm exports and investigation of foreign competition were funded from annual appropriations that expire at the end of FY 1990. It is anticipated that program goals will have been accomplished by then.

Nature of Change. This decrease reflects the discontinuance of one time funded appropriations for these programs.

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF YEARS
1989, and estimated 1990 and 1991

	1989		1990		1991	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
Washington, D.C.	$5,781,373	76	$7,294,000	82	$7,786,000	84

OFFICE OF THE SECRETARY

Passenger Motor Vehicle

The 1991 Budget Estimates propose no additional or replacement passenger motor vehicles.

Three vehicles are rented on an annual basis. One each is for use by the Secretary of Agriculture and the Deputy Secretary. The third vehicle is used for delivery of materials between the Department and the Congress.

DEPARTMENTAL ADMINISTRATION

Purpose Statement

This appropriation funds the Departmental Administrative Staff Offices of USDA. These Offices provide staff support to the top policy officials of the Department and overall direction and coordination of the work of USDA's program agencies to ensure the efficient and effective management and operation of the Department.

The functions and activities carried out by Departmental Administrative Staff Offices under the Assistant Secretary for Administration are as follows:

-- The Office of Personnel provides guidance in and support in the areas of personnel matters in the planning and development of Department policies and programs. It is responsible for formulating and issuing Department policy, standards, and rules and regulations relating to personnel. It develops and implements personnel management plans and programs responsive to the Department's needs. In addition, it also provides day-to-day operating personnel services to the Immediate Office of the Secretary and Departmental Staff Offices, as well as to certain non-USDA agencies on a cross-servicing basis.

-- The Office of Finance and Management provides leadership in the development and evaluation of programs in finance, accounting, Federal assistance, occupational safety and health, travel, productivity improvement, and management improvement; and audit follow-up and final action. In addition, it also provides budget, accounting and fiscal services to the Office of the Secretary and Departmental Staff Offices.

-- The Office of Operations provides leadership, oversight, and policy development in the areas of real and personal property, procurement, contracts, motor vehicles, management improvement, and automated data processing. It also provides procurement, contracting, and other administrative service support to the Office of the Secretary and Departmental Staff Offices.

-- The Office of Information Resources Management develops and disseminates Departmental standards, guidelines, rules, and regulations necessary to implement approved Information Resources Management (IRM) principles, policies, and programs that improve the operational effectiveness of USDA's programs. It also provides for long-range IRM planning for the Department, guides the IRM planning of USDA agencies and reviews, monitors and oversees major agency and Departmental IRM programs. In addition, it provides telecommunications and ADP services to USDA agencies and Staff Offices.

-- The Office of Advocacy and Enterprise provides overall guidance, leadership, and coordination for the Department's programs for equal opportunity and civil rights. It is responsible for implementing and administrating programs under Sections 8 and 15 of the Small Business Act, and directs and monitors compliance in promoting full and open competition in procurement. It also directs the Department's efforts to further the participation of minority colleges and universities in USDA programs.

-- The Office of Administrative Law Judges/Judicial Officer is responsible for conducting regulatory hearings and deciding issues arising under the Administrative Procedure Act. The Administrative Law Judges hold rulemaking and adjudicatory hearings and issue initial decisions and orders; the Judicial Officer serves as final deciding officer in regulatory proceedings.

Up until fiscal year 1990, this account also funded the functions and activities performed by the Office of Budget and Program Analysis, which reports to the Secretary of Agriculture. In fiscal year 1990, the Congress enacted a separate appropriation for this Office. For FY 1989 OBPA is presented separately in these Notes.

Not all Administrative Staff Office activities are financed from direct appropriations. The following activities are financed through the Departmental Working Capital Fund or from reimbursements from USDA agencies.

Working Capital Fund Activities. The Department's Staff Offices provide the following central services, that are currently financed under the Department's Working Capital Fund (7 U.S.C. 2235), to USDA agencies.

-- The Office of Finance and Management provides central accounting operations and financial reporting, payroll, voucher payments, billings and collections services.

-- The Office of Operations provides central services for supplies, reproduction and copier services, mail collection and delivery, mailing lists, forms distribution, central shipping and receiving, excess personal property control, executive correspondence control, the Imprest Fund, and an automated contract system.

-- The Office of Information Resources Management provides cemtralized computer services and centralized telecommunication services.

A detailed explanation of these activities is presented in the Working Capital Fund section.

Reimbursable Activities. Travel and printing for the Administrative Law Judges, miscellaneous details, selected short-term activities, as well as reimbursements for administrative operational support services to Working Capital Fund activities are included in this area.

Geographic Location. The majority of the staff offices are located in Washington, D.C. Central services financed through the Working Capital Fund are provided by the National Finance Center located in New Orleans and by the Department's computer centers located in Kansas City, Missouri and Fort Collins, Colorado, and by other administrative service units located in the Washington Metropolitan area.

As of September 30, 1989, there were 1,904 full-time employees and 158 part-time employees in the staff offices included under Departmental Administration, including 582 permanent full-time and 47 part-time employees located in Washington, D.C.

- DEPARMENTAL ADMINISTRATION

Available Funds and Staff-Years

1989 Actual and Estimated, 1990 and 1991

Item	1989 Actual Amount	1989 Actual Staff Years	1990 Estimated Amount	1990 Estimated Staff Years	1991 Estimated Amount	1991 Estimated Staff Years
Direct Approriation....	$21,533,000	364	$22,022,000	392	$23,355,000	394
Obligations Under Other USDA /Appropriations:						
Motor Vehicles Project.	182,552	--	--	--	--	
Agri.Comm. Netw'k......	1,018,407	--	--	--	--	--
Office of Administra-		--	--	--	--	--
trative Law Judges....	41,773	--	79,300	--	88,000	--
Miscellaneous Details..	278,538	--	125,700	--	128,000	
Miscellaneous..........	115,982	--	114,000	--	114,000	--
Subtotal, USDA.........	1,637,252	--	319,000	--	330,000	
Obligations Under Other Federal Funds:						
Farm Credit Assistance.	10,926	--	8,000	--	8,000	
Mine Safety Board......	24,429	--	25,000	--	25,000	--
Dept. of Commerce......	18,391	--	25,000	--	25,000	--
Census Bureau..........	1,949,913	--	0	--	0	--
GSA Training...........	2,651	--	5,000	--	5,000	--
Subtotal, Non-USDA....	2,006,310	--	63,000	--	63,000	--
Management Support..... Services Provided To.. WCF Activities.......	3,608,000	72	3,632,000	75	3,879,000	75
Total, Reimbursements..	7,251,562	72	4,014,000	75	4,272,000	75
Working Capital Fund:						
Supply and Other Central Services......	13,091,000	147	13,821,000	152	14,424,000	153
National Finance Center	66,362,000	1,229	71,466,000	1,280	76,340,000	1,289
ADP Services...........	48,106,000	188	48,117,000	207	47,062,000	207
Purchase of Equipment..	15,858,000	--	14,877,000	--	14,788,000	--
Subtotal, Working Capital Fund..........	143,417,000	1,564	148,281,000	1,639	152,614,000	1,649
Total, Other Appropriations.........	150,668,562	1,638	152,295,000	1,714	156,886,000	1,724
Total, Departmental Administration........	172,201,562	2,000	174,317,000	2,106	180,241,000	2,118

Full-time Equivalent Staff-Years:	1989 Actual	1990 Estimated	1991 Estimated
Ceiling................	2,000	2,106	2,118
Non-Ceiling............	65	67	68
Total................	2,065	2,173	2,186

DEPARTMENTAL ADMINISTRATION

Permanent Positions by Grade and Staff-Year Summary

1989 and Estimated 1990 and 1991

Grade	1989			1990			1991		
	HDQTRS	FIELD	TOTAL	HDQRTS	FIELD	TOTAL	HDQTRS	FIELD	TOTAL
ES-6	5	0	5	5	0	5	5	--	5
ES-5	5	2	7	6	2	8	6	2	8
ES-4	1	1	2	--	1	1	0	1	1
ES-3	0	3	3	--	1	1	0	1	1
ES-2	2	2	4	2	4	6	2	4	6
ES-1	--	--	--	--	--	--	--	--	--
GS/GM-17	2	--	2	2	--	2	2	--	2
GS/GM-16	4	--	4	5	--	5	5	--	5
GS/GM-15	31	13	44	31	14	45	32	14	46
GS/GM-14	77	53	130	82	54	136	81	54	135
GS/GM-13	119	115	234	126	120	246	128	120	248
GS-12	45	193	238	55	219	274	54	219	273
GS-11	17	143	160	22	174	196	21	174	195
GS-10	2	16	18	3	15	18	4	15	19
GS-9	36	101	137	37	96	133	45	97	142
GS-8	14	41	55	19	45	64	20	45	65
GS-7	50	124	174	47	128	175	50	128	178
GS-6	29	175	204	27	172	199	30	172	202
GS-5	30	246	276	41	243	284	34	243	277
GS-4	41	120	161	51	112	163	45	112	157
GS-3	21	67	88	22	64	86	23	63	86
GS-2	10	13	23	9	11	20	8	11	19
GS-1	--	--	--	6	--	6	6	--	6
Other Graded Positions	36	10	46	33	10	43	33	10	43
Ungraded Positions	30	18	48	23	16	39	24	13	37
Total Permanent Positions	607	1,456	2,063	654	1,501	2,155	658	1,498	2,156
Staff-Years:									
Ceiling	585	1,415	2,000	624	1,483	2,106	630	1,489	2,118
Non-ceiling	5	60	65	3	64	67	4	64	68
TOTAL	590	1,475	2,065	627	1,547	2,173	634	1,553	2,186

DEPARTMENTAL ADMINISTRATION

CLASSIFICATION BY OBJECTS

1989 and Estimated 1990 and 1991

	1989	1990	1991
Personnel Compensation:			
Headquarters	$14,575,029	$16,588,000	$16,959,000
Field............................	---	---	---
11 Total personnel compensation	14,575,029	16,588,000	16,959,000
12 Personnel Benefits..........	1,918,496	2,028,000	2,069,000
13 Benefits for former personnel.................	5,892	13,000	14,000
Total pers. comp & benefits...	16,499,417	18,629,000	19,042,000
Other Objects:			
21 Travel.......................	426,181	365,000	437,000
22 Transportation of things....	7,787	7,000	7,000
23.3 Communications, utilities, and other rent............	957,184	888,000	980,000
24 Printing and reproduction...	278,371	216,000	280,000
25 Other services..............	1,846,217	1,625,000	1,998,000
26 Supplies and materials......	359,030	133,000	313,000
31 Equipment...................	411,006	59,000	197,000
41 Grants & Subsidies and Contributions.............	100,000	100,000	101,000
Total other objects...........	4,385,776	3,393,000	4,313,000
Total direct obligations.............	20,885,193	22,022,000	23,355,000
Position Data:			
Average Salary, ES positions......	$72,717	$79,329	$97,147
Average Salary, GM/GS position...	$37,669	$39,965	$40,325
Average Grade, GM/GS positions....	12.04	12.05	12.05

DEPARTMENTAL ADMINISTRATION

The estimates include appropriation language for this item as follows: (new language in underscored; deleted matter enclosed in brackets):

Departmental Administration

For Personnel, Finance and Management, Operations, Information Resources Management, Advocacy and Enterprise, and Administrative Law Judges and Judicial Officer, [$22,020,000;] $23,305,000 and in addition, for the payment of the USDA share of the National Communications System, [$2,000] $50,000; making a total of [$22,022,000] $23,355,000 for Departmental Administration to provide for necessary expenses for management support services to offices of the Department of Agriculture and for general administration and emergency preparedness of the Department of Agriculture, repairs and alterations, and other miscellaneous supplies and expenses not otherwise provided for and necessary for the practical and efficient work of the Department of Agriculture, including employment pursuant to the second sentence of Section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), of which not to exceed $10,000 is for employment under 5 U.S.C. 3109: Provided, That this appropriation shall be reimbursed from applicable appropriations in this Act for travel expenses incident to the holding of hearings as required by 5 U.S.C. 551-558.

DEPARTMENTAL ADMINISTRATION

Appropriation Act, 1989	$22,022,000
Budget Estimate, 1990	23,355,000
Increase in Appropriation	+ 1,333,000

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

Item of Change	1990 Estimated	Pay Cost	Program Changes	1991 Estimated
Personnel	$6,032,000	+$226,000	+$259,000	$6,517,000
Finance and Management	3,921,000	+149,000	+23,000	4,093,000
Operations	2,728,000	+ 91,000	+137,000	2,956,000
Information Resources Management	4,901,000	+126,000	---	5,027,000
Advocacy and Enterprise	3,113,000	+98,000	+140,000	3,351,000
Administrative Law Judges and Judicial Officer	1,325,000	+36,000	---	1,361,000
National Communications System	2,000	---	+48,000	50,000
Total Available	22,022,000	+726,000	+607,000	23,355,000

PROJECT STATEMENT
(On basis of appropriation)

Item of Change	1989 Actual		1990 Estimated		Increase or Decrease	1991 Estimated	
	Amount	Staff Years	Amount	Staff Years		Amount	Staff Years
1. Departmental Staff Offices							
a. Personnel	$5,872,436	111	$6,032,000	120	+$485,000	$6,517,000	121
b. Finance & Management	3,650,004	60	3,921,000	70	+172,000	4,093,000	70
c. Operations	2,676,006	58	2,728,000	56	+228,000	2,956,000	56
d. Information Resources Manage	4,489,823	61	4,901,000	64	+126,000	5,027,000	64
e. Advocacy & Enterprise	3,053,945	55	3,113,000	58	+238,000	3,351,000	59
f. Admin. Law Judges & Judicial Officer	1,027,231	19	1,325,000	24	+36,000	1,361,000	24
Subtotal	20,769,445	364	22,020,000	392	+1,285,000(1)	23,305,000	394
2. National Commun. System	115,748	--	2,000	--	+48,000(2)	50,000	--
Total, Admin. Mgt.	20,885,193	364	22,022,000	392	+1,333,000	23,355,000	394
Unobligated balance	647,807	--	--	--	--	--	--
Total available or estimate	21,533,000	364	22,022,000	392	+1,333,000	23,355,000	394

EXPLANATION OF PROGRAM

This appropriation provides for the following activities:

Personnel- This activity provides general liaison, direction, leadership, coordination and monitoring of the personnel management program in the Department and promulgation of Departmental policies and procedures relating to all personnel functions. Operational services are provided to the Office of the Secretary, Office of the Inspector General, Office of the General Counsel, Office of Governmental and Public Affairs, Office of Budget and Program Analysis, and the Departmental Administrative Staff Offices. Equal Employment Opportunity under Title 7 of the Civil Rights Act of 1964 is provided to all USDA agencies.

Finance and Management- This activity provides Departmental leadership, development and evaluation of programs in finance, accounting, Federal occupational safety and health, productivity and management improvements. The Director serves as the Department's chief financial officer, management improvement officer and comptroller of the Working Capital Fund. Finance and Management also provides budget, accounting and fiscal operational services to the Office of the Secretary, the Departmental Administrative Staff Offices, Office of the General Counsel, Office of Governmental and Public Affairs, and the Office of Budget and Program Analysis.

Operations- This activity provides staff and support services to the USDA Agencies in the management of real and personal property, procurement, contracts, supplies, motor vehicles and internal energy conservation. Under an agreement with GSA, it operates and provides maintenance security and services to the Washington, D.C. building complex. The Office of Operations also provides procurement and contract operational services to the Office of the Secretary, the Departmental Administrative Staff Offices, Office of the General Counsel, Office of Government and Public Affairs, and the Office of Budget and Program Analysis.

Information Resources Management- This activity designs, implements and revises systems, processes, work methods and techniques to improve the management of information resources and the operational effectiveness of USDA. The Director serves as the Department's clearance officer for statistical reporting and information collection. This activity also provides telecommunications and ADP services to USDA agencies and staff offices through the Fort Collins National Computer Center, and Kansas City National computer Center. The Office of Information Resources Management also provides, through a Departmental Computer Services Unit, ADP operational services to the Office of the Secretary, the Departmental Administrative Staff Offices, Office of Governmental and Public Affairs and the Office of Budget and Program Analysis.

Advocacy and Enterprise - This activity provides leadership, and coordination for the Department's programs for Equal Opportunity, Civil Rights and Affirmative action; implementation and administration of Sections 8 and 15 of the Small Business Act; direction of Departmental efforts to further the participation of minority colleges and universities in USDA programs; and direction and monitoring of compliance in promoting full and open competition in procurement.

Administrative Law Judges/Judicial Officer - The Administrative Law Judges hold hearings in connection with prescribing new regulations and orders and on disciplinary complaints filed by the Department or on some petitions filed by private parties asking relief from actions of the Department. Final administrative decisions in regulatory proceedings are rendered by the Judicial Officer.

National Communications System - This activity represents USDA's proportionate share of the cost of developing a nation-wide emergency preparedness telecommunications network established and required by Presidential National Security Decision Directive number 201.

JUSTIFICATION OF INCREASES AND DECREASES

(1) A net increase of $1,285,000 million for Departmental Administration Staff Offices consisting of:

(a) An increase of $362,000 for the 1989 pay raise, with-in-grade increases, promotions, and the extra day of pay, and $364,000 which represents 50 percent of the 1991 pay raise. The remaining 50 percent of the 1991 pay raise and the total 1990 pay raise are being absorbed.

(b) An increase of $559,000 for program related increases to the Staff Offices consisting of:

Personnel - An increase of $80,000 for increased technical assistance, training and maintenance of automated personnel information systems at the National Finance Center; an increase of $179,000 and 1 FTE to test USDA's minority recruitment strategy, making a total program increase of $259,000.

Need for change. There is a need to service and assist users of USDA's payroll personnel data base and automated systems at the National Finance Center (NFC) by providing technical assistance, training and maintaining automated personnel records systems at the National Finance Center. Existing staff will be used to update the payroll personnel system to implement new laws and regulations, provide enhancements to existing systems, identify problems and test new report specifications. This will keep the system current and responsive to user needs and legal requirements.

The USDA Recruiting Strategy is designed to support USDA agencies in meeting their critical human resource needs for the remainder of the decade as they encounter the problems associated with recruitment and retention within in a steadily shrinking labor force. The strategy includes Department-wide efforts to inform youth about career opportunities in USDA; provision of educational development assistance to middle and high schools, curriculum development for two and four year colleges; establishment of recruitment networks and mentor programs; and an automated applicants data base shared by USDA agencies. Special emphasis will be placed on minority recruitment efforts to make the workforce more representative of the general population of the Nation.

Nature of Change. The payroll personnel assistance and development project will involve increased computer connect time, and ADP processing charges at the NFC.

The Recruiting Strategy initiative will involve travel, development of recruitment materials such as video tapes, written materials, pamphlets, handouts, posters, and some ADP time for development of recruitment data bases.

Finance and Management - An increase of $23,000 will allow the Department to meet the reporting requirements of OMB Circular A-50 "Audit Follow-up".

Need for Change. USDA has approximately 5,000 audits that generate over 60,000 transactions per year. The added resources will be used to develop an automated system to track the status of management's actions taken on audit recommendations, analyze problems and trends, and prepare the Department's semi-annual report to Congress.

Nature of Change. The increase will pay for computer and other costs associated with tracking audit recommendations and for preparation and printing of the semi-annual reports to Congress.

Operations - An increase of $137,000 to provide resources to develop, and manage the central USDA motor vehicle information system.

Need for change. Public Law 99-272, the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) requires that the delivery of motor vehicle services to ensure the most economical operations. USDA agencies need information, oversight and guidance in meeting the requirements of this legislation. Information on USDA agencies' motor vehicle use and management is required to meet government-wide efforts to reduce operating costs, keep fleet sizes to a level consistent with minimum requirements, and be competitive with other sources, e.g., leasing of vehicles. Also, regulations and policies regarding use of motor vehicles between home and work require an increased level of oversight and guidance.

Nature of Change. The resources will be applied to development and maintenance of an automated tracking and monitoring system, for data communication links to the NFC data base, and for travel to conduct on-site reviews. Management reviews of agencies' motor vehicle services and operations will be conducted, requiring some field travel.

Advocacy and Enterprise - An increase of $90,000 for the Department to implement the Small and Limited Resource Farmer Initiative (SLRFI) under the Farm Credit Act of 1987; an increase of $50,000 and 1 FTE for the Small and Disadvantaged Business Utilization (SDBU) program to respond to three recently enacted laws that target minority businesses to encourage rural development, making a total program increase of $140,000.

Need for Change. Among its provisions, the Farm Credit Act of 1987 made the Office of Advocacy and Enterprise (OAE) the lead agency for the Small and Limited Resource Farmer Initiative within USDA. To implement its mandate, OAE will conduct reviews of USDA agencies' Small and Minority Business programs, provide technical assistance, identify trade associations to assist farmers targeted under this initiative, and track and monitor USDA's performance in this area. This increased effort requires additional resources as the base level of funding cannot support the expanded activity needed to perform this leadership role.

The Department is required by the Business Opportunity Development Reform Act of 1988, the Prompt Payment Act Amendments of 1988, and the Rural Development Program Act (P.L. 100-159) to increase small and minority business participation in government contracts.

Nature of Change. The resources for the Small and Limited Resource Farmer Initiative will be used for setting up computerized monitoring systems and travel to conduct reviews. The Small and Disadvantaged Business Utilization program would receive an added FTE, salary and operating funds to provide policy guidance, oversight and technical assistance to USDA agencies.

(2) National Communications System - An increase of $48,000 to pay USDA's prorata share of the National Level Program (NLP) of emergency telecommunications as mandated by Presidential National Security Decision Directive (NSDD) 201. This payment supports development of the NCS and is not a regular program of the Department.

Need for Change. As required by the National Security Decision Directive 201, USDA contributes a prorata share of resources to aid in financing the development of the National Level Program (NLP) of emergency communications. This program would continue communications in time of national emergency or regional disaster.

Nature of Change. An increase of $48,000 for payment of USDA's prorata share of the NLP.

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS 1989 AND ESTIMATED 1990 AND 1991

	1989		1990		1991	
	Amount	Staff-Year	Amount	Staff-Year	Amount	Staff-Year
Washington,DC	$20,885,193	364	$22,022,000	392	$23,355,000	394

DEPARTMENTAL ADMINISTRATION

STATUS OF PROGRAM

Departmental Administration is composed of the five administrative management Staff Offices reporting to the Assistant Secretary for Administration and the Office of the Administrative Law Judges/Judicial Officer, a quasi-judicial activity which autonomously adjudicates cases. The Board of Contract Appeals, a quasi-judicial agency reporting to the Assistant Secretary for Administration, is a reimbursable activity of the Office of the Secretary. The Office of Budget and Program Analysis, which reports to the Secretary of Agriculture, is funded through a separate appropriation beginning in fiscal year 1990.

The administrative Staff Offices provide support to policy officials and provide administrative policy guidance to program agencies to ensure the efficient and effective management of the Department. The functions, activities, and services of these Offices are discussed in greater detail below.

OFFICE OF PERSONNEL

The Office of Personnel (OP) establishes policies and procedures for personnel management programs throughout the Department in activities such as position classification and position management; organization reviews; leave, salary, and wage administration; employment and recruitment; personnel and records security; emergency preparedness systems; employee conduct and discipline; incentive awards; performance evaluation; equal employment complaints and grievances; labor-management relations; personnel management information systems; training and employee development; and personnel management evaluation. The office also provides operational services to the Office of the Secretary, Departmental Administration Staff Offices, other agencies directly under the Secretary, and several independent agencies.

Current Activities:

1. Child Care. OP has been instrumental in working on the Departmental child care initiative. Under OP's leadership, a USDA Child Care Task Force was established and is actively working on child care options for the Washington, D.C. area. The preliminary report has been drafted, with the final version targeted for submission to the Department early in fiscal year 1990.

2. Restructuring of Agriculture Personnel User's Group (AgPUG). AgPUG, chaired by OP, was established by a forum through which the USDA personnel community could share operational problems and solutions, discuss and recommend enhancements, prepare specifications packages, and collectively influence and interact with the Office of Finance Management and the National Finance Center in the further development of USDA's automated Payroll/Personnel System. As cross-servicing of non-USDA agencies expanded, the increased membership of AgPUG required that it be split into two user groups: one composed of USDA agencies and one of non-USDA agencies. OP will continue to chair both groups and serve as a focal point for information sharing, inter-agency work group coordination, and interfacing with the NFC on major new systems development and problem resolution.

3. USDA Recruitment Demonstration Project. OP developed the demonstration project, which was published in the Federal Register on August 23, 1989. Project implementation is scheduled for June 1990. The 5-year experiment will involve over 210 ARS and FS sites nationwide, and will be evaluated under a cooperative agreement with the Pennsylvania State University. It is the only one of OPM's seven projects approved to date which concentrates solely on recruitment and hiring within the Federal sector.

4. On-the-Spot Award Program. OP is developing a "spot" award program which will allow very quick approval and delivery of small cash awards (up to $150). Imprest funds will initially be used and will be followed later by use of third party share drafts. The program will allow more timely recognition and instant positive reinforcement of high performance.

5. USDA Supervisory Academy. A 2-week residential training program for new USDA supervisors is being developed to meet the critical need for better qualified supervisors. The program is based on USDA Generic Training Module learning objectives and emphasizes the human side of management.

Selected Examples of Recent Progress:

--Marketing Strategy. During fiscal year 1989, OP continued its multi-year program to enhance Departmental recruitment and retention efforts. Liaison Officers were placed at each of the 17 Historically Black Land-Grant Institutions to develop long-term partnerships. Contracts were awarded for the production of a USDA recruitment video and for printed materials oriented toward the 4-year college graduate. Also, a contract has been awarded for conducting a pilot program to train employees as professional recruiters. Direct hire authorities are being used to take advantage of streamlining recruitment procedures and for employment of hard to fill positions. OP launched a career awareness/outreach program targeted at high schools starting with agricultural high schools in schools in Philadelphia, Pennsylvania and Chicago, Illinois. Students from high schools in the Houston, Texas area were provided an opportunity to participate in a USDA Career Fair at Prairie View A&M University at Prairie View, Texas.

--Leave Sharing Program. OP has been actively implementing the new 5-year leave sharing program to replace the 1-year temporary program which expired in September 1988. At the present time, there are approximately 325 approved leave recipients in the Department, and many more employees are participants in the program as leave donors. Activities in fiscal year 1989 included issuance of Department regulations, publicity through the "USDA News," and development of systems specifications for automated processing of leave transfers through NFC. The automated system should be implemented during fiscal year 1990, along with enhancements to accommodate agency use of the "Leave Bank" concept.

--Personnel Management Evaluation (PME) Program. OP reinstated a Department-level PME Program after a 5-year hiatus. OP-led teams administered questionnaires and conducted onsite reviews in the Extension Service, Cooperative State Research Service, Rural Electrification Administration, and Agricultural Research Service. Although the reviews identify regulatory deficiencies, the emphasis of the new program is on reviewing and providing assistance in areas of special concern to the agencies.

--History Inquiry and Reporting System(HINQ). After 2 years of development work, the HINQ system was tested and certified for operation at the end of fiscal year 1989. The personnel community and agency managers will now have direct access to a data base containing the current year and 5 previous years of personnel history. Provides much greater capability and flexibility for trend analysis, comparative studies, and ad hoc report production for external requests, complaints and grievances.

--Retirement Processing and Tracking System. Even though USDA achieved an 86 percent timely retirement application processing rate in June 1989, additional measures were taken to expedite the process. Op coordinated enhancements to the Payroll/Personnel System which provided management with current reports.s The purpose of this activity is to exceed OPM;s goal of 80 percent timely processing, and to assure that all applications are complete when received by OPM.

--Generic Training. The structured process for developing training programs based on specified learning objectives has resulted in improved training course development at USDA.

OFFICE OF OPERATIONS

The Office of Operations (OO) provides Departmental support service, policy, oversight, and guidance for the management of real and personal property, procurement, contracts, transportation, supply, motor vehicles, and energy conservation. Certain centralized administration services are also provided in

Washington, D.C., including headquarters facilities management; central mail processing; distribution of forms and office supplies; operation of central reproduction and copying services; central shipping and receiving; the receipt, rehabilitation and distribution of excess equipment and furniture; central imprest fund; automated procurement; and administrative support to the Office of the Secretary.

Current Activities:

1. Real Property Automation. The Department tested a system called Foundation Information for Real Property Management (FIRM) which was developed by the General Services Administration to assist Federal managers with their real property inventories. We are demonstrating the use of the system to interested USDA agencies and anticipate that our involvement will continue through 1990.

2. Consolidated Forms and Publications Distribution Center (CFPDC). In fiscal year 1989 the CFPDC, managed by USDA and endorsed by the President's Council on Management Improvement, became operational and serviced four new client agencies, the National Endowment for the Arts, Treasury's Bureau of the Public Debt, and Health and Human Services' Office of the Secretary and the Public Health Service. As a result of this cross-servicing effort, all customers have realized savings. Phase II of the Implementation Plan is scheduled to be operational by January, 1990 bringing the total square footage to 120,000 sq. ft. under one roof, thereby increasing efficiencies and services for customer agencies. One of the latest enhancements offered is electronic ordering via a personal computer and modem which also permits direct access to inventory status. Also, upon receiving Cooperative Administrative Support Unit (CASU) Charter status, the CFPDC will receive additional visibility, support and customers. Cost savings for this cross-servicing initiative are currently estimated at $5 million annually upon full government-wide participation in the National Capital Region.

3. Automation of Motor Vehicle Acquisitions. OO has begun development of an automated system for the processing of motor vehicle requisitions to the current GSA automated motor vehicle system. OO is working closely with GSA to ensure compatibility and ultimate integration. Upon completion of the system, GSA will use it as a model for all other Federal agencies that procure motor vehicles.

4. Support for Victims of Hurricane Hugo. OO is searching for available excess property that can be transported to areas hit by the recent hurricane. To date, OO has located tents, forklifts, generators, fencing, a 1-1/2 ton truck and power tools. ARS will make actual arrangements for shipments.

Selected Examples of Recent Progress.

--Federal Property Utilization Action. OO conducted surveys of 27 facilities to determine if they were fully utilized. More than 8,245 acres were surveyed, with an estimated fair market value of $57.2 million. In addition, through the survey and disposal program, OO collaborated with the Department's land holding agencies to report as excess approximately 16.4 acres of land and improvement valued at $56,000 to the General Services Administration.

--Transfer of Excess Personal Property to 1890 Land Grant Colleges. In concert with the Joint USDA/1890 Institution Task Force, OO adopted an initiative to expand the acquisition and use of excess personal property by 1890 Institutions and Tuskegee University. To accomplish this initiative, the Secretary delegated authority to OO to execute transfers of excess property to 1890 Institutions in support of USDA cooperative projects and Extension Service Programs. Since June 1989, excess property transfers have amounted to $350,000.

--Centralized Excess Property Operations (CEPO) Cross-Servicing. Because of the continued success of our CEPO operation, OO recently completed rehabilitating the furniture for the Executive Office of the Vice President. This project included refurbishing 30 staff offices. Other special projects included providing furniture for Executive Office in EPA and GSA.

--Credit Card Program for Procurement. OO implemented the General Services Administration Credit Card Program for simplified small purchasing. All agencies within the Department that choose to use credit cards now have that alternative.

--Procurement Integrity Act. The Procurement Integrity Act was implemented Department-wide by OO. Departmental guidance has been issued, and the Procurement Division in OO is conducting training when requested by an agency.

--Procurement Career Management Intern Program. OO established a procurement career management intern program, which is directly supported by Departmental agencies, to hire highly qualified, entry-level personnel who will be trained to become contracting officers.

OFFICE OF FINANCE AND MANAGEMENT

The Office of Finance and Management (OFM) provides leadership, development, and evaluation of programs in finance, accounting, Federal assistance, management control, financial management systems, audit followup and final action, occupational safety and health, productivity improvement, management improvement, and for the management and operation of the National Finance Center (NFC). The Director serves as the Department's Chief Financial Officer, Management Improvement Officer, and Comptroller of the Working Capital Fund. Also, OFM provides budget, accounting and fiscal services for the office of the Secretary and Departmental Staff Offices.

Current Activities:

1. Management Control and Evaluation. Continued implementation of the Department-wide pilot to the Consolidated Review Program to streamline and consolidate the review and reporting requirements of OMB Circulars A-123, Internal Control Systems; A-127, Financial Management Systems; and A-130, Management of Federal Information Resources. This project when accomplished will aid USDA's full compliance with the requirements of these Circulars, GAO standards, and the intent of the Federal Manager's Financial Integrity Act (31 U.S.C. 3512) by providing the most efficient and effective review and reporting process possible.

2. Federal Assistance. USDA, in cooperation with other Federal agencies, has expanded its participation in a Demonstration Project with the Florida University System to include 26 more universities. This Demonstration Project seeks to streamline and standardize research project management procedures, and to decrease administrative requirements and costs within the sponsored research system. Work continues to further standardize and streamline approaches to Federal support of university research.

3. Total Quality Management. USDA is implementing Total Quality Management (TQM) as a strategy for improving performance at all levels of the Department and in all areas of responsibilities. TQM combines fundamental management techniques, existing management improvement efforts, and specialized technical tools under a disciplined structure which focuses on continuous improvement of all program and administrative processes. Current improved performance is directed toward satisfying broad goals such as cost, quality, schedule, and program needs/suitability.

4. Audit Followup and Final Action. USDA is implementing Public Law 100-504, Inspector General Act Amendments of 1988 (the Act), which placed new responsibilities on management for reporting on actions taken on audit recommendations. The Secretary is now required to report semiannually to the Congress on actions taken by management on audit recommendations involving monetary amounts and recommendations that funds be put to better use. Additionally, the report must include an explanation as to why final actions were not completed within 1 year of the management decision.

5. Interest Penalty Task Group. USDA is attempting to improve its payment processes and procedures through the formation of the Interest Penalty Task Group. Members represent eight USDA agencies. The group is to come up with approaches to reduce interest penalties and to develop an educational program for USDA personnel.

The group will encourage the use of electronic remote personnel computer entry to reduce paper, mail time, and keying errors. It will pursue the use of remote personal computer inquiry to identify potential late payments. This information will be followed by appropriate action to expedite the payments.

The group plans to develop, implement, and encourage the use of a program to inform USDA personnel of Prompt Payment Act (PPA) requirements and procedures. A PPA Desk Guide is under development. It will combine PPA requirements and procedures in one easy-to-reference publication. It will also provide payment targeting milestones related to administrative payments.

Selected Examples of Recent Progress:

--Financial Management. The Department-wide Financial Information System (DFIS) which consolidates USDA administrative and program accounting financial and program information, is operational. USDA is now in compliance with the requirements of OMB Circular A-127, Financial Management Systems, for a single, integrated Departmental financial management system.

--Management Control and Evaluation. The Consolidated Review Program (CRP) is the consolidation of Departmental reviews of agencies' activities under OMB Circulars A-123 (internal control systems), A-127 (financial management systems), and A-130 (management of Federal information resources). A report issued by the President's Council on Management Improvement recommended that Federal agencies consider adopting a consolidated review approach. USDA was cited as the only agency using such an approach. Agencies are advised to refer to USDA's approach when implementing a similar review process.

--Audit Followup and Final Action. OFM developed a centralized automated system to track and monitor corrective actions taken on audit recommendations. This automated system will also be used to reconcile reports of the Inspector General and to prepare the Secretary's semiannual reports to Congress.

--Cash Management. During FY 1989, activities performed by program agencies and the National Finance Center in this area avoided interest costs to the Treasury of approximately $30 million. This included:

-- $16.5 million from cash concentration system collection.

-- $4.5 million from electronic funds transfer collections and payments.

-- $3.8 million from warehousing payments.

-- $2.0 million from Direct Deposit/Electronic Funds Transfer for employee payments.

-- $1.9 million from lockbox collections, and

-- $.4 million from travel charge card payments.

--Drug Free Workplace. USDA commenced voluntary urinalysis testing of employees in the Washington metropolitan area. All other aspects of the drug testing program are being reviewed for conformance with recent court decisions. Employee education, counseling and referral continue. All aspects of the Drug Free Workplace Program are scheduled to be in place, so as to meet the goal of a "fully implemented plan, consistent with recent court decisions, by January 5, 1990" as stated in the President's national Drug Control Strategy.

OFFICE OF INFORMATION RESOURCES MANAGEMENT

The Office of Information Resources Management (OIRM) develops and recommends Departmental information resources management policies, designs and implements systems to improve management of information resources and operational effectiveness of the Department. The office also provides long-range IRM planning and reviewing, telecommunications and data processing services, including the operation of computer centers in Fort Collins, Colorado and Kansas City, Missouri.

Current Activities:

1. Systems Support for Program Delivery. The Department strives to maintain high levels of productivity and service to the public in its various programs through the use of state-of-the-art automated information systems. This project supports USDA agencies in the analysis of changing requirements, development of specifications, and planning of procurement for future field office systems, including geographic information systems, and executive information systems. Special emphasis will be placed on use of government-wide standards for ADP systems. Adopting standards for future systems will greatly improve the ability of USDA agencies to share program data and thereby better serve the public in field offices throughout the Nation.

2. Information Management. This project analyzes and tests different methods of managing and disseminating USDA data. It includes trials of technologies such as CD-ROM and modern relational data bases. It also includes investigation of various methods of disseminating the information in existing USDA data bases to the several thousand USDA field offices across the country and to the public served by this Department, and evaluation of public access to government data bases.

3. Voicemail. This project procures and implements a Department-wide voicemail service. This new messaging technology will permit USDA employees to communicate easily from anywhere in the country using only a touch-tone telephone. An ongoing pilot test shows substantial benefits in being able to send and receive messages without regard to time or location. Messages can be stored, answered, forwarded or erased easily. More timely internal communication will enhance the management and operation of USDA programs.

Selected Examples of Recent Progress:

--Software Management. OIRM developed a comprehensive program of guidance and technical support for USDA agencies; conducted a software management symposium to increase awareness of industry trends and practices of Federal agencies; established an electronic bulletin board to disseminate current information to USDA agencies; and conducted a survey of agencies' current management practices in this area to provide a basis for future policy development.

--Agriculture Communications Network (AgComNet) Project. OIRM completed the analysis of USDA's data communications requirements vis-a-vis the services available from FTS 2000. This project also began development of a plan for transition to FTS 2000 from the Current Departmental Network (DEPNET) which expires in December 1990.

--Office of the Secretary Automation. OIRM provided service to the Office of the Secretary, including the Under and Assistant Secretaries, in upgrading the office automation system. Hardware was upgraded, new software installed, and training provided to facilitate use of the system by non-computer oriented personnel. This project was critical during the transition between administrations.

--Streamlined Technical Approval Process. OIRM implemented new policies and procedures governing agency requests for Departmental review and approval of ADP procurements. The new rules reduced the normal review period of several months to several weeks. In addition, they provide for more complete and more accurate benefit-cost analyses of proposed projects.

STATUS OF PROGRAM

OFFICE OF ADVOCACY AND ENTERPRISE

The Office of Advocacy and Enterprise (OAE) provide overall policy and program guidance, leadership, coordination, and direction for the Department's civil rights and equal employment opportunity programs; planning for and coordination of the participation of minority colleges and universities in departmental programs; oversight of procurement activities to assure maximum participation of small and disadvantaged business in the procurement process; and direction and monitoring of Agency compliance in promoting full and open competition in the Department's contracting process.

Current Activities:

1. 1890 Land Grand Institutions, Tuskegee University, and other HBCUs. Provide leadership to develop relationships among USDA agencies, the 1890 institutions and Tuskegee University, and the private sector, by expanding the programs's focus to include other relevant historically black colleges and universities (HBCUs) in order to enhance curriculums and improve instructional capabilities in agriculture and related fields; increase student recruitment and retention; provide special technical and fiscal assistance to facilitate faculty development, and enhance library resources within the institutions.

2. Small and Limited Resource Farm Program. A National Small Farm Conference will culminate outreach and information efforts that began at the local level two years ago.

3. Special Emphasis Programs. Regional Women's Conferences will help develop program awareness for career advancement by female employees. Regional Employment Smyposia will be held to increase Hispanic employment.

Selected Examples of Recent Progress:

--Equal Employment Opportunity. In the second year of the Department's Affirmative Employment Progam, minorities increased to 16.1 percent of the total workforce as of June 1989, up from 14.8 percent two years earlier. Women rose to 38.2 percent of the workforce, compared to 35.8 percent in 1987.

--Small and Limited Resource Farmer Program. Three regional conferences were held to bring small farmers and government agriculture officials together. A program regulation and a resource directory for the Western states were prepared. An 800 HOTLINE number for assistance was installed.

--Special Emphasis Programs. Two Hispanic employment symposia were held to help improve employment opportunities for Hispanics, the most underrepresented minority group in the USDA workforce. A 9000 person random sample survey of employment attitudes was conducted to assist in framing the Federal Women's Program initiatives for 1990.

OFFICE OF ADMINISTRATIVE LAW JUDGES/JUDICIAL OFFICER

The Office of Administrative Law Judges consists of five Judges, who conduct rule making and adjudicatory hearings throughout the United States in proceedings subject to the Administrative Procedure Act (APA), 5 U.S.C. 554 et seq. There are approximately 37 statutes administered by agencies within the Department of Agriculture requiring APA hearings. The Judges issue initial decisions and orders in adjudicatory proceedings, which become final decisions of the Secretary unless appealed to the Secretary's Judicial Officer by a party to the proceeding. Final consent orders are issued by the Judges following hearings or upon waiver of hearing. In addition, the Judges perform related duties, which are consistent with their duties under the APA, e.g. hearing a non-APA case upon determination by the Assistant Secretary for Administration, the Chief Judge's administrative duties.

The Judicial Officer serves as final deciding officer, in place of the Secretary, in regulatory proceedings of a quasi-judicial nature. These include appeals from Administrative Law Judges' initial decisions, and reparation proceedings under the Perishable Agricultural Commodities Act and the Packers and Stockyards Act, which do not require hearings before Administrative Law judges under the APA. Any party to a proceeding may appeal an Administrative law Judge's initial decision to the Judicial Officer. Oral argument before the Judicial Officer is discretionary. The Judicial Officer also rules upon matters arising in proceedings that are certified by the Aministrative Law Judges.

The Office of the Hearing Clerk receives, files and serves pleadings, briefs, and decisions. It maintains the official records of the Department (including the transcripts of adjudicatory and rule making hearings) and in the event of an appeal, certifies such records to the Court of Appeals or District Court for subsequent review. The Hearing Clerk is responsible for publication of Agriculture Decisions, the official compilation of quasi-judicial and judicial decisions issued under regulatory laws administered by the Department.

In addition to processing cases that come before Administrative Law Judges, the Hearing Clerk's Office processed the following in FY 1989:

Perishable Agricultural Commodities Act:	
Reparation Cases..............................	331
Reparation Defualt Cases......................	440
Packers and Stockyards Act Reparation Cases.........	14
Certification and Authentication of Documents.......	50
Certification of Administrative Records to Federal Courts..............................	80
Board of Contracts Appeals:	
Scheduling/Cancelling Reporting Service........	41

The following table indicates the number of hearings held by Administrative Law Judges during the past three fiscal years, together with the number of initial decisions after hearings, initial decisions upon default, and final consent orders following hearing or upon waiver of hearing.

Hearings and Dispositions

STATUS (Type of Proceeding)	FY 1987		FY1988		FY 1989	
	Hear-ings	Dispo-sitns	Hear-ings	Dispo-sitns	Hear-ings	Dispo-sitns
Agri. Marketing Agreement Act, 1937						
(Adjudicatory--ADJ)	4	-	4	12	5	15
(Rule making--Rule)	14	-	17	-	2	10
Agri. Marketing Act, 1946 Inspection & Grading (ADJ)	-	-	1	3	1	2
Animal Quarantine & Related Laws:						
Veterinary Accred. (ADJ)	-	-	1	2	4	78
Animal Quarantine (ADJ)	2	50	7	66	4	90
Plant Quarantine (ADJ)	-	60	1	89	2	74
Animal Welfare Act (ADJ)	6	42	3	40	2	38
Fed. Meat Inspect'n (ADJ)	-	7	1	17	2	24
Horse Protect'n Act (ADJ)	-	14	1	20	2	30
Packers & Stockyards Act (ADJ)	19	201	20	217	14	256
Perishable Agri. Commodities Act	7	29	7	49	2	54
US Warehouse Act (ADJ)	-	1	-	1	-	-
Potato Research & Promotion Act (ADJ)	1	1	-	2	-	-
Tobacco Inspection/Price Support (Rule)	-	-	1	-	1	2
Egg Research & Consumer Info. Act (ADJ)	4	-	-	2	-	1
Poultry Products Inspection Act	-	-	-	1	2	6
Federal Grain Inspection	-	-	-	-	-	-
Pork Research & Consumer Info. Act (Rule)	1	-	-	-	-	-
Pork Promotion, Research & Consumer Info. Act	-	-	-	1	-	-
Beef Promotion & Research Act (Rule)	1	-	-	-	-	-
Watermelon Research & Promotion Plan	1	-	-	-		-
TOTALS	60	404	64	522	43	6
(Scheduled hearings)	(152)		(153)		(115)	
(No. proceedings pending at close of FY)		(105)		(106)		

WORKING CAPITAL FUND

CLASSIFICATION BY OBJECTS

1989 and Estimated 1990 and 1991

		1989	1990	1991
Personnel Compensation:				
	Headquarters	$5,597,000	$5,284,000	$5,562,000
	Field	41,047,000	43,972,000	45,120,000
11	Total personnel compensation	46,644,000	49,256,000	50,682,000
12	Personnel benefits	6,553,000	7,039,000	7,273,000
13	Benefits for former personnel	94,000	110,000	112,000
	Total pers. comp. & benefits	53,291,000	56,405,000	58,067,000
Other Objects:				
21	Travel	1,066,000	1,206,000	1,153,000
22	Transportation of things	307,000	369,000	328,000
23.1	Building rental	3,421,000	4,737,000	4,234,000
23.2	Communications, utilities, and misc. charges	25,969,000	28,956,000	29,878,000
24	Printing and reproduction	879,000	944,000	942,000
25	Other services	28,320,000	24,307,000	25,760,000
26	Supplies and materials	6,138,000	7,141,000	6,899,000
31	Equipment	16,466,000	15,594,000	15,458,000
43	Interest and dividends	15,000	1,000	1,000
92	Depreciation	11,345,000	12,503,000	13,858,000
	Total other objects	93,926,000	95,758,000	98,511,000
	Total	147,217,000	152,163,000	156,578,000

Position Data:

	1989	1990	1991
Average Salary, ES positions	$74,463	$76,920	$79,689
Average Salary, GM/GS positions	$25,449	$26,877	$27,845
Average Grade: GM/GS positions	8.0	8.2	8.2

The estimates include appropriation language for this item as follows:

Working Capital Fund

An amount of $3,750,000 is hereby appropriated to the Departmental Working Capital Fund to increase the Government's equity in this fund and to provide for the purchase of automated data processing, data communication, and other related equipment necessary for the provision of Departmental centralized services to the agencies.

WORKING CAPITAL FUND

Appropriation:	
Appropriations Act, 1990	0
Budget Estimate, 1991	$3,750,000
Increase in Appropriation	+3,750,000
Program Activity:	
Operating Estimate, 1990	$137,039,000
Budget Estimate, 1991	141,555,000
Increase over 1990	+4,516,000

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

Item of Change	1990 Estimated	Program Changes	1991 Estimated
Capitalization of the Fund ..	0	+$3,750,000	$3,750,000

JUSTIFICATION OF INCREASES AND DECREASES

1. An increase of $3,750,000 for the capitalization of the Fund.

   Need for Change. In FY 1985 the Congress approved a multi-year effort to recapitalize the Fund. The multi-year program has enabled the Fund to finance large-scale acquisitions of data processing equipment needed to support agencies in program management and service delivery.

   Nature of Change. The FY 1991 resources will be used to obtain ADP equipment in support of administrative system, data base management, data processing services. Asset acquisition costs will be recovered over the useful life of the assets obtained through depreciation charges to users of services. In this way, the Fund is able to sustain its level of capital acquisition resources.

PROJECT STATEMENT
(On basis of program activity)

Project	1989		1990 Estimated		Increase or Decrease	1991 Estimated	
	Amount	Staff Years	Amount	Staff Years		Amount	Sta Yea
1. Capitalization of the Fund	$4,708,000	0	$0	0	+$3,750,000	$3,750,000	

EXPLANATION OF PROGRAM

The appropriation for the Working Capital Fund is undertaken to support efforts to recapitalize the Fund activities identified in the Appropriations Act of 1944 and 7 U.S.C. 2235, and approved by the Director, Office of Management and Budget. The activities carried out under the appropriation include the purchase of large-scale ADP assets needed to insure that the computing, financial systems, and administrative systems processing needs of USDA agencies continue to be adequately met.

SUMMARY OF INCREASES AND DECREASES
(Program Activity)

Item of Change	1990 Estimated	Program Changes	1991 Estimated
1. Supply and Other Central Services.........	$13,821,000	$603,000	$14,424,000
Central Supply Stores	1,818,000	49,000	1,867,000
Central Supply Forms	2,573,000	109,000	2,682,000
Mail Distribution Service	2,367,000	148,000	2,515,000
Executive Corresp. & Rec'ds.	550,000	57,000	607,000
Agri. Contract Auto. Sys.	218,000	8,000	226,000
Central Shipping & Receiving	361,000	13,000	374,000
Central Excess Property Oper.	1,793,000	-5,000	1,788,000
Central Imprest Fund	122,000	7,000	129,000
Copier/Duplication Center	4,019,000	217,000	4,236,000
2. Video & Teleconferencing, and Visual Design Services ...	3,635,000	94,000	3,729,000
Video and Teleconferencing	1,305,000	53,000	1,358,000
Visual Design Services	2,330,000	41,000	2,371,000
3. National Finance Center	71,466,000	4,874,000	76,340,000
4. ADP Services	48,117,000	-1,055,000	47,062,000
NCC/Ft. Collins	9,031,000	-1,490,000	7,541,000
NCC/Kansas City	36,371,000	462,000	36,833,000
Computer Services Unit	1,190,000	54,000	1,244,000
Telephone Service Oper.	830,000	20,000	850,000
Local Area Network	695,000	-101,000	594,000
Total Recurring Operations	137,039,000	+4,516,000	141,555,000
Capital Equipment Acquisitions	15,124,000	-101,000	15,023,000
Total	$152,163,000	$4,415,000	$156,578,000

PROJECT STATEMENT
(On basis of program activity)

Project	1989		1990 Estimated		Increase or Decrease	1991 Estimated	
	Amount	Staff Years	Amount	Staff Years		Amount	Staff Years
1. Supply and Other Central Serv. . .	$13,091,000	147	$13,821,000	152	+$603,000	$14,424,000	153
Cent. Supp. Stores	2,128,000	7	1,818,000	7	+49,000	1,867,000	7
Cent. Supp. Forms	2,179,000	6	2,573,000	9	+109,000	2,682,000	9
Mail Dist. Svc.	2,429,000	73	2,367,000	70	+148,000	2,515,000	70
Exec. Corr. & Rec.	499,000	10	550,000	12	+57,000	607,000	12
AGCAS	169,000	2	218,000	2	+8,000	226,000	2
Cent. Ship. & Rec.	308,000	1	361,000	1	+13,000	374,000	1
Cent. Excess Prop.	1,385,000	7	1,793,000	11	-5,000	1,788,000	12
Cent. Imprest Fund	99,000	4	122,000	4	+7,000	129,000	4
Cop./Dupl. Center	3,895,000	37	4,019,000	36	+217,000	4,236,000	36
2. Video & Teleconf., & Visual Design Svc.	3,616,000	23	3,635,000	26	+94,000	3,729,000	26
Video and Tele.	1,264,000	11	1,305,000	13	+53,000	1,358,000	13
Vis. Design Svc.	2,352,000	12	2,330,000	13	+41,000	2,371,000	13
3. Office of Finance and Management . .	66,362,000	1,229	71,466,000	1,280	+4,874,000	76,340,000	1,289
4. ADP Services . . .	48,106,000	188	48,117,000	207	-1,055,000	47,062,000	207
NCC/Fort Collins	14,024,000	64	9,031,000	73	-1,490,000	7,541,000	73
NCC/Kansas City	31,433,000	116	36,371,000	125	+462,000	36,833,000	125
Comp. Svc. Unit	1,205,000	8	1,190,000	9	+54,000	1,244,000	9
Tele. Svc. Oper.	771,000	0	830,000	0	+20,000	850,000	0
Local Area Network	673,000	0	695,000	0	-101,000	594,000	0
Total Recurring Oper.	131,175,000	1,587	137,039,000	1,665	+4,516,000	141,555,000	1,675
Cap. Equip. Acquis. . .	16,042,000	0	15,124,000	0	-101,000	15,023,000	0
Total	$147,217,000	1,587	$152,163,000	1,665	+$4,415,000	$156,578,000	1,675

FUNDING FROM NON-USDA SOURCES
(On basis of program activity)

Project	1989		1990 Estimated		Increase or Decrease	1991 Estimated	
	Amount	Staff Years	Amount	Staff Years		Amount	Staff Years
1. Supply and Other Central Serv. . .	$1,320,000	0	$1,576,000	0	+$58,000	$1,634,000	0
2. Video & Teleconf., & Visual Design Svc.	17,000	0	23,000	0	+1,000	24,000	0
3. Office of Finance and Management . .	18,037,000	263	21,824,000	350	+4,580,000	26,404,000	407
4. ADP Services . . .	3,265,000	0	1,165,000	0	+7,000	1,172,000	0
Total . . .	$22,639,000	263	$24,588,000	350	+$4,646,000	$29,234,000	407

WORKING CAPITAL FUND

Explanation of Program

Authorized under Public Law 78-129, making appropriations to USDA for FY 1944 (7 U.S.C. 2235), the USDA Working Capital Fund finances services provided to USDA agencies on a centralized basis. Under the law, only activities approved by the Director of the Office of Management and Budget (OMB) may be carried out under the Fund. Centralization is recommended by the Department and approved by OMB when:

-- Centralization will result in cost savings due to:

  - Economies of scale
  - Reduced overhead
  - Central cost-based management
  - Coordination which avoids duplication of effort among agencies

-- Centralization offers other advantages such as:

  - Improved services to agencies and to the public
  - Availability of services to agencies which could not afford them except on a centralized basis
  - Ability to replace equipment on a long-term basis through the use of depreciation charges to users

The Fund received an initial appropriation of $400,000 for FY 1944. Over the years, additional working capital has been made available through initial transfers into the Fund of activities meeting the above criteria and through Congressional authorizations to receive growth capital from serviced USDA agencies. For FY 1989 the Fund received an appropriation of $4,708,000 for capital procurement. These funds were used to purchase new or currently leased equipment for Fund activity centers to provide requested services to agencies of the Department. This investment will avoid lease costs over the useful life of the equipment and result in lower unit costs for central services provided to these users.

WCF operations are financed by charging user agencies the actual costs of providing required services. The following are services financed through the Fund:

> Supply and Other Central Services. The Office of Operations manages the following services under this category: (a) central supply, which provides for the acquisition, receipt, storage, issuance, packing, and shipment of office and other supplies, blank forms, and miscellaneous materials for the Department and other Government agencies; (b) central mail services, which include operation of the USDA mail processing, messenger, and automated mailing list services; (c) executive correspondence and records system, which provides referral and correspondence control services for mail addressed to the Secretary, the immediate Office of the Secretary, and the Department; (d) central excess property, which coordinates receipt, rehabilitation, and distribution of personal property for the Department and other Government agencies; (e) central shipping and receiving services; (f) central imprest fund, which provides cash advances for small purchases and travel; (g) automated contract system used by agencies and staff offices to prepare procurement documents; and (h) copier and duplicating services which provide duplicating, reproducing, binding, addressing and mailing, and short-order and walk-up copier stations for duplicating and xerographic production.
>
> Video and Teleconferencing, & Visual Design Services. These activities, managed by the Office of Public Affairs plan, design, and produce visual information materials, exhibits, art, and graphics materials for the Department and other Government agencies.

National Finance Center. This activity in the Office of Finance and Management designs, develops, implements, and operates centralized administrative systems for the Department. Centralized payroll, personnel, voucher and vendor payments, billings and collections, property management, accounting, and financial recordkeeping systems are currently provided. It also produces external financial reports to Treasury and other agencies, and internal management reports for Departmental agencies. In addition, the National Finance Center provides financial and accounting services to a number of other Federal Departments through "cross-servicing" agreements and serves as recordkeeper for the Thrift Savings Plan System under the Federal Employee Retirement System.

Automated Data Processing (ADP) Services. This activity in the Office of Information Resources Management operates the National Computer Centers in Fort Collins, Colorado; and Kansas City, Missouri, to provide ADP services to USDA and other agencies. The Computer Services Unit, which provides ADP services to Departmental Staff Offices and the Office of the Secretary; the Telephone Service Operation office, which coordinates the maintenance and operation of telephone equipment for Washington-area USDA offices; and the Local Area Network office, which provides telecommunications service and support for Washington-area USDA offices, are also managed by the Office of Information Resources Management.

JUSTIFICATION OF INCREASES AND DECREASES

Centralized administrative services enable users to receive high-quality services at the lowest possible cost of operation. Operating services in this manner has resulted in a trend toward minimizing unit costs (measured in constant dollars) for recurring operations in recent years. Expectations of further progress in minimizing unit costs, as well as expected increases in USDA and non-USDA demand for Fund-supported services serve as the basis for the FY 1990 revised and FY 1991 initial Working Capital Fund (WCF) cost estimates.

Centralized administrative services are subject to regular oversight consistent with both Administration management initiatives and Departmental productivity improvement activities. This oversight is undertaken to determine whether these activities should continue as centrally managed services and offers Departmental management analyses of alternative operating methods. Enhanced productivity and cost-effectiveness result. The results of such oversight exercised in FY 1989 are reflected in the revised FY 1990 and initial FY 1991 cost estimates provided. As regular oversight is conducted, these estimates may be adjusted significantly, subject to review and approval by Departmental management.

The following is an explanation of program activity changes from FY 1990 to FY 1991 currently anticipated.

1. An increase of $603,000 for recurring operations of Supply and Other Central Services consisting of:

Central Supply Stores	+$	49,000
Central Supply Forms	+	109,000
Mail Distribution Service	+	148,000
Executive Correspondence and Records	+	57,000
Agriculture Contract Automation System	+	8,000
Central Shipping and Receiving	+	13,000
Central Excess Property Operation	-	5,000
Central Imprest Fund	+	7,000
Copier/Duplication Center	+	217,000
Total	+$	603,000

Need for Change. Cost increases in the Central Supply Stores, Agriculture Contract Automation System, Central Shipping and Receiving, Mail Distribution Service, and Central Imprest Fund are inflationary. Cost increases in Central Supply Forms, Executive Correspondence and Records, and Copier/Duplication Center reflect expected increases in service demand. The reduction in costs for Central Excess Property Operation is a result of reductions in costs incurred for supplies and materials.

Nature of Change. Non-inflationary cost increases in Central Supply Forms are due primarily to increases in building rental costs and costs for printing and reproduction services, both a direct result of expected increases in demand for forms warehousing and distribution services. In Executive Correspondence and Records, non-inflationary costs increases are due primarily to increases in ADP services associated with management of an expected increase in correspondence related to farm legislation. Copier/Duplication Center cost increases not related to inflation reflect increases in operating costs associated with increased workload requests from user agencies.

2. An increase of $94,000 for recurring operations of Video and Teleconferencing, and Visual Design Services consisting of:

Video and Teleconferencing Services	+$ 53,000
Design Services	+ 41,000
Total	+$ 94,000

Need for Change. Video and Teleconferencing cost increases are inflationary. Those for Design Services are primarily inflationary, with other increases reflecting expected increases in graphics and exhibit services.

Nature of Change. Non-inflationary cost increases in Design Services reflect increases in operating costs due to increased workload requests from user agencies in exhibit design and graphics production.

3. An increase of $4,874,000 for recurring operations of the National Finance Center (NFC).

Need for Change. Cost increases for services provided by the NFC are due to inflationary increases and expected demand increases of about 10 percent of FY 1990 transaction volumes.

Nature of Change. Non-inflationary cost increases at the NFC reflect costs for additional personnel, needed to meet increased non-USDA demand for services, and operating cost increases to process increases in total workload volume.

4. A net decrease of $1,055,000 for recurring operations of ADP systems consisting of:

National Computer Center/Fort Collins	-$ 1,490,000
National Computer Center/Kansas City	+ 462,000
Computer Services Unit	+ 54,000
Telephone Service Operations	+ 20,000
Local Area Network	- 101,000
Total	-$ 1,055,000

Need for Change. Cost increases for the Computer Services Unit and Telephone Service Operations are inflationary. Reductions at the National Computer Center/Fort Collins reflect adjustments to estimates in demand. Reductions in Local Area Network costs are due to completion of a number of system development tasks in FY 1990. Increases in National Computer Center/Kansas City costs are due to inflation and system-related costs in response to expected demand for ADP services.

Nature of Change. Reductions in costs at the National Computer Center/Fort Collins are primarily in personnel, utilities, automated data processing services, and supplies, all of which reflect changes in demand estimates. Reductions in Local Area Network costs are due to lower contract costs associated with system development. Non-inflationary cost increases at the National Computer Center/Kansas City are primarily for contract support in ADP operations and ADP equipment rental costs.

5. An expenditure of $15,023,000 for capital acquisitions in FY 1991. ($15,124,000 in FY 1990):

This level of funding for equipment acquisition assumes the use of the $3,750,000 appropriation requested for additional capitalization of the Fund in FY 1991.

(1) Capital acquisitions for Supply and Other Central Services of $1,170,000.

Central Supply Stores	+$ 42,000
Central Supply Forms	+ 35,000
Mail Distribution Service	+ 196,000
Central Excess Property Operation	+ 220,000
Copier/Duplication Center	+ 677,000
Total	+$ 1,170,000

Need for Change. Capital procurement amounts for these activities reflect equipment needed to respond to expected demand volumes, improve operational efficiency, and replace obsolete equipment

Nature of Change. Resources for supply management are for improving the efficiency and reliability of warehousing activities. In copier/duplicating services, equipment is needed to improve efficiency and meet expected demand volumes for walk-up and short-turnaround services. Other acquisitions are needed to improve productivity.

(2) Capital acquisitions for Video and Teleconferencing, and Visual Design Services of $235,000.

Visual Design Services	+$ 20,000
Video and Teleconferencing Serv.	+ 215,000
Total	+$ 235,000

Need for Change. Equipment acquisitions are needed to continue replacement of obsolete, unreliable equipment.

Nature of Change. Video and Teleconferencing acquisitions are needed to improve studio services. In Visual design Services, purchases are for improvements in production services.

(3) Capital acquisitions for the National Finance Center of $7,127,000.

Need for Change. Capital equipment acquisitions are needed to meet expected increases in demand for administrative services provided by the National Finance Center and to improve productivity of existing systems.

Nature of Change. Acquisitions will improve the operational efficiency of mainframe computer processing, respond to expected increases in service demand, and insure that the Center can respond adequately to emergencies which threaten to interrupt service delivery.

(4) Capital acquisitions for ADP Services of $6,491,000.

National Computer Ctr./Ft. Collins	+$ 4,418,000
National Computer Ctr./Kansas City	+ 2,002,000
Computer Services Unit	+ 71,000
Total	+$ 6,491,000

Need for Change. Acquisitions at the National Computer Centers reflect further efforts to modernize mainframe and peripheral assets, and to improve operating efficiency in ADP services. Computer Services Unit acquisitions will improve productivity in its operations.

Nature of Change. The National Computer Centers will upgrade their mainframe computer environments with the resources allocated. Computer Services Unit purchases will improve and expand communications access in anticipation of increased demand for its services.

Working Capital Fund
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF YEARS
1989 and Estimated 1990 and 1991

	1989		1990		1991	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Colorado	14,024,000	64	9,031,000	73	7,541,000	73
District of Columbia	17,687,000	178	18,108,000	186	18,696,000	187
Louisiana	65,852,000	1,223	70,956,000	1,272	75,803,000	1,281
Maryland	2,179,000	6	2,573,000	9	2,682,000	9
Missouri	31,433,000	116	36,371,000	125	36,833,000	125
Total, Available or Estimate	131,175,000	1,587	137,039,000	1,665	141,555,000	1,675

WORKING CAPITAL FUND

STATUS OF PROGRAM

The USDA Working Capital Fund (WCF) was established in legislation appropriating funds to the Department for FY 1944 and by 7 U.S.C. 2235. The WCF is used to finance services provided to USDA on a centralized basis. The WCF also supports services provided to non-USDA agencies through "cross-servicing" agreements. The cost of providing services to these non-USDA clients is recovered on the basis of the level of service each client receives. The result for USDA agencies is a reduction in the share of fixed costs for WCF-supported services as the number of agencies sharing those costs expands. Constant dollar unit costs have been reduced since the cross-servicing program was begun on a large scale in FY 1985.

Centrally managed operations provide efficient, economical services through economies of scale, extensive management attention, and high-level, regular fund control reviews. The benefits that result for all users are reflected in cost avoidances for administrative and support services. The Director of the Office of Finance and Management (OFM) serves as WCF Comptroller, serving to monitor and supervise fund management activities. Four USDA agencies: the Office of Operations (OO), the Office of Public Affairs (OPA), the Office of Finance and Management (OFM), and the Office of Information Resources Management (OIRM) manage activities supported by the Fund. With the exception of OPA activities, all are under the direct supervision of the Assistant Secretary for Administration.

Selected Examples of Recent Progress: Recent accomplishments of WCF-supported activities operated by these four agencies are summarized below under their respective project headings.

Supply and Other Central Services - Office of Operations

- Instituted an electronic ordering system at the Consolidated Forms and Publications Distribution Center, allowing customers to order forms via a toll-free "800" number.

- Began provision of forms inventory service to the Department of Health and Human Services/Public Health Service.

- Implemented pre-sort contracts for outbound mail in the mail distribution center achieved cost savings of over $100,000 for USDA users of this central mail service.

Video and Teleconferencing, & Visual Design Services - Office of Public Affairs

- Provided design services for a number of conferences and other events, examples of which include:

  - Swearing-in ceremony for Secretary Clayton Yeutter.
  - Agricultural Products Quality and Competitiveness Conference and the 1988 Journalists' Conference.
  - Agricultural Biotechnology and the Public - A series of four regional technology conferences held throughout the U.S.
  - Agriculture Research Service 'Scientist of the Year'

- Provided design and production services for publications and projects, including:

  - "Principles of Home Canning"
  - National Recreational Strategies (with the Forest Service)
  - Extension Review Magazine
  - Commodity Cookbook

- Provided design services for a number of visitor centers, including:

  - Cape Perpetua (Oregon) Visitor Center
  - Agricultural Research Service Visitor Center (Hyattsville, MD)
  - Placerville (California) Nursery Visitor Center

- Conducted a nationwide radio press conference on April 18, with President Bush and Secretary Yeutter, using the audio teleconferencing bridge.

- Produced a 50-state video conference on May 8, honoring the 75th anniversary of the Extension Service.

National Finance Center (NFC) - Office of Finance and Management

- Began implementation of the Personnel Action Processing System (PACT). This systems significantly reduces suspense corrections required and greatly improves the accuracy and clarity of the entry of personnel documents. Phases I and II were implemented.

- Implemented Phase I of the Accounting Recertification and Tracking System, which includes online inquiry, updating, and tracking of all administrative and payroll payments.

- Introduced a number of new non-USDA clients to NFC's on-line systems, including:

  - Department of Commerce (Personal Property System):
    - Patent and Trademark Office
    - Bureau of Economic Analysis
    - National Institute of Standards and Technology

  - Department of Commerce/U.S. and Foreign Commercial Service (agreement signed)
  - Small Business Administration (Table Management System, Management Accounting Structure Code System)
  - Federal Emergency Management Agency (Table Management System)
  - Department of the Treasury/Departmental Offices (Table Management System)
  - Department of the Interior/National Park Service-Midwest Region (Personal Property System)

- Installed robotics hardware to automate tape library operations. This system provides faster throughput, requires less human intervention, and increases reliability.

Automated Data Processing Services - Office of Information Resources Management

- Successfully coded and tested the applications support and data transfer modules for data communications networking facilities at the National Computer Center/Fort Collins (NCC/FC). Development of specific applications with the Farmers Home Administration, Agricultural Stabilization and Conservation Service, and the Forest Service were begun. Integration and interoperability testing was also performed.

- Completed, with the Forest Service, testing for programs in the Timber Sale Program Information Reporting System (TSPIRS) at the NCC/FC, and worked with the Forest Service at NCC/FC to develop requirements information for the Timber Management Information System (TMIS)/ROADS project.

- Completed the conversion of all clients' applications and data files from the conversion system to a common production system at NCC/KC. This was the final phase of the project to consolidate the workload of the Department's former Washington Computer Center and move it to Kansas City. This project was completed several months ahead of schedule and has been successful in helping to provide high quality data processing services to USDA agencies.

- Installed expert system software at NCC/KC designed to help client agencies develop and use knowledge-based expert system applications. This approach introduces human expertise as an element in finding solutions to problems for which traditional programming methods are inappropriate or ineffective. The Agricultural Stabilization and Conservation Service is using this software in developing an expert system to assist in troubleshooting computer system problems in the agency's state and county offices.

- Completed installation of a status monitoring system in the Local Area Network serving the USDA headquarters complex in Washington, D.C. This system provides on-line monitoring on the network's cabling, amplifiers, and modems. It permits the system staff to rapidly pinpoint trouble spots and faulty equipment. This reduces the time and expense involved in manual tracking of circuits and equipment and reduces down time.

RENTAL PAYMENTS AND BUILDING OPERATIONS

Purpose Statement

This account finances the appropriated portion of payments to the General Services Administration (GSA) for rental of leased space and related services. Funding is not provided for payments to GSA made by the Forest Service, since the Forest Service is funded in the Interior and Related Agencies Appropriations Act.

This account also finances operations and maintenance activities under authorities delegated to the Department by GSA. On October 1, 1984, GSA delegated authority to USDA to operate, maintain, repair and make minor improvements to the USDA downtown D C. building complex, which encompasses 14.1 acres of ground and four buildings containing approximately three million square feet of space occupied by approximately 8,000 employees. On October 1, 1986, GSA expanded the delegation of authority to include two additional buildings. The first is the warehouse for forms in Lanham, Maryland, and the second is the warehouse for the excess property operation located at 49 L St., S.W., Washington, D.C.

As of September 30, 1989, there were 68 permanent full-time employees assigned to the operations and maintenance activities financed by this account. All were located in Washington, D.C.

RENTAL PAYMENTS AND BUILDING OPERATIONS AND MAINTENANCE

Available Funds and Staff-Years

1989 Actual and Estimated, 1990 and 1991

Item	1989 Actual		1990 Estimated		1991 Estimated	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Rental Payments to GSA	$49,363,841	--	$49,037,000	--	$49,305,000	--
Building Operations	21,297,000	71	22,990,000	71	25,093,000	71
Total, Appropriation	70,660,841	71	72,027,000	71	74,398,000	71
Obligations Under Other USDA Appropriations:						
Overtime, utilities & miscellaneous services	2,799,957	--	1,786,000	--	1,786,000	--
Total, Rental Payments and Building Operations and Maintenance	$73,460,798	71	$73,813,000	71	$76,184,000	71

Full-time Equivalent Staff-Years:	1989 Actual	1990 Estimated	1991 Estimated
Ceiling	71	71	71
Non-Ceiling	4	5	5
Total	75	76	76

BUILDING OPERATIONS AND MAINTENANCE

Permanent Positions by Grade and Staff-Year Summary

1989 and Estimated 1990 and 1991

Grade	1989 Headquarters	1990 Headquarters	1991 Headquarters
GS/GM-15	1	1	1
GS/GM-14	5	5	5
GS/GM-13	10	10	10
GS-12	11	12	13
GS-11	3	4	4
GS-10	--	--	--
GS-9	3	2	3
GS-8	--	--	--
GS-7	4	4	4
GS-6	2	2	2
GS-5	6	6	7
GS-4	4	3	1
GS-3	1	1	--
GS-2	--	--	--
GS-1	--	--	--
Ungraded Positions	18	24	24
Total Permanent Positions	68	74	74
Staff-Years:			
Ceiling	71	71	71
Non-ceiling	4	5	5
TOTAL	75	76	76

RENTAL PAYMENTS AND BUILDING OPERATIONS AND MAINTENANCE

CLASSIFICATION BY OBJECTS

1989 and Estimated 1990 and 1991

	1989	1990	1991
Personnel Compensation:			
Headquarters	$2,577 057	$2,723,000	$2,825,000
Field	--	--	--
11 Total personnel compensation	2,577,057	2,723,000	2,825,000
12 Personnel Benefits	382,015	302,000	317,000
13 Benefits for former personnel	1,208	1,000	1,000
Total pers. comp & benefits	2,960,280	3,026,000	3,143,000
Other Objects:			
21 Travel	11,430	10,000	15,000
22 Transportation of things	2,193	4,000	4,000
23.2 Rental payments to others	46,363,000	46,037,000	46,305,000
23.3 Communications, utilities, and misc. charges	3,553,330	4,500,000	5,149,000
24 Printing	13,015	19,000	20,000
25 Other services	15,183,700	17,778,000	19,088,000
26 Supplies and materials	416,181	223,000	230,000
31 Equipment	344,302	164,000	169,000
32 Lands and structures	262,053	261,000	270,000
43 Interest	898	5,000	5,000
Total other objects	66,150,102	69,001,000	71,255,000
Total direct obligations	$69,110,382	$72,027,000	$74,398,000
Position Data:			
Average Salary, GM/GS position	$40,419	$42,937	$44,575
Average Grade, GM/GS positions	9.92	10.12	10.42

RENTAL PAYMENTS AND BUILDING OPERATIONS AND MAINTENANCE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Rental Payments (USDA)

For payment of space rental and related costs pursuant to Public Law 92-313 for programs and activities of the Department of Agriculture which are included in this Act, [$49,467,000] 49,305,000 of which $3,000,000 shall be retained by the Department of Agriculture for non-recurring repairs as determined by the Department of Agriculture: Provided, That in the event an agency within the Department of Agriculture should require modification of space needs, the Secretary of Agriculture may transfer a share of that agency's appropriation made available by this Act to this appropriation, or may transfer a share of this appropriation to that agency's appropriation, but such transfers shall not exceed 10 percentum of the funds made available for space rental and related costs to or from this account.

Building Operations and Maintenance

For the operation, maintenance, and repair of Agriculture buildings pursuant to the delegation of authority from the Administrator of General Services authorized by 40 U.S.C. 486, [$23,033,000] $25,093,000.

RENTAL PAYMENTS AND BUILDING OPERATIONS AND MAINTENANCE

Appropriation Act, 1990	$72,500,000
Budget Estimate, 1991	74,398,000
Increase in Appropriation	+1,898,000

Adjustments in 1990:		
Appropriations Act, 1990	$72,500,000	
Gramm-Rudman-Hollings Reduction (P.L. 99-177)	-203,000	
Funds transferred to other agencies for leases transferred from GSA	-270,000	
Adjusted Base for 1990		72,027,000
Budget Estimate, 1991		74,398,000
Increase over adjusted 1990		+2,371,000

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

Item of Change	1990 Estimated	Pay Cost	Program Changes	1991 Estimated
Rental Payments to GSA	$49,037,000	--	+$268,000	$49,305,000
Building Operations and Maintenance	22,990,000	+$81,000	+2,022,000	25,093,000
Total Available	72,027,000	+81,000	+2,290,000	74,398,000

PROJECT STATEMENT
(On basis of adjusted appropriation)

	1989 Actual		1990 Estimated		Increase	1991 Estimated	
Item of Change	Amount	Staff Years	Amount	Staff Years	or Decrease	Amount	Staff Years
1. Rental Payments	$49,239,605	--	$49,037,000	--	+$268,000	$49,305,000	--
2. Building Operations & Maintenance	19,870,777	71	22,990,000	71	+2,103,000	25,093,000	71
Unobligated balance	1,550,459	--	--	--	--	--	
Total, available or estimate	70,660,841	71	72,027,000	71	+2,371,000	74,398,000	7
Transfer of leases from GSA to USDA agencies	+1,295,159	- -	+270,000	- -	- -	- -	- -
Gramm-Rudman-Hollings Reduction (P.L. 99-177)	- -	- -	+203,000	- -	- -	- -	- -
Total, appropriation	71,956,000	71	72,500,000	71	+2,371,000	74,398,000	71

EXPLANATION OF PROGRAM

This appropriation provides funding for the following activities:

Rental Payments to GSA. The fiscal year 1983 Agriculture Appropriations Act (P.L. 97-370) consolidated most of the Department's rental payments to the General Services Administration (GSA) into a single appropriation. This activity does not provide funding to cover space costs incurred in other funding areas such as trust funds, the Working Capital Fund and other non-appropriated funds. The amount in this account represents only the appropriated portion of the total Departmental charges for rent payments to the GSA for all agencies and staff offices of the Department except the Forest Service. The fiscal years 1988 and 1989 appropriations acts provided that $3,000,000 of this appropriation should be retained by USDA for non-recurring repairs.

Building Operations and Maintenance. On October 1, 1984, GSA delegated the operations and maintenance function for the buildings in the D.C. complex to the Department. This activity provides Departmental staff and support services to operate, maintain and repair the buildings in the D.C. complex. GSA expanded the delegation to include two additional buildings on October 1, 1986. GSA retains responsibility for major non-recurring repairs.

JUSTIFICATION OF INCREASES AND DECREASES

(1) An increase of $268,000 for rental payments to GSA.

Need for Change. The increase is for the rental payment rate increases as provided by GSA in selected geographic regions applied to the existing inventory of space that agencies will occupy through September 30, 1990, and net increases in space costs due to reclassification of space to a higher rate.

Nature of Change. The additional funds will partially cover GSA charges to the Department to maintain its inventory of 6.7 million square feet of space nationwide.

(2) An increase of $2,103,000 for building operations and maintenance, consisting of:

(a) An increase of $2,022,000 to cover increased operating costs.

Need for Change. The increase will cover yearly pricing adjustments required by the Fair Labor Standards Act and the Service Contract Act, as well as other costs that will increase when building operations and maintenance contracts are renewed.

Nature of Change. This increase will permit continuation of the FY 1990 level of activity for USDA occupied space in the Washington, D.C. complex.

(b) An increase of $42,000 for the 1989 pay raise, with-in-grade increases, promotions, and the extra day of pay, and $39,000 which represents 50 percent of the 1991 pay raise. The remaining 50 percent of the 1991 pay raise and the total 1990 pay raise are being absorbed.

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1989 and Estimated 1990 and 1991

	1989		1990		1991	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
Washington, D.C......	$69,110,382	71	$72,027,000	71	$74,398,000	71

RENTAL PAYMENTS AND BUILDING OPERATIONS

STATUS OF PROGRAM

RENTAL PAYMENTS TO GSA

This account was established by the Agriculture, Rural Development and Related Agencies Appropriations Act of 1983 to finance the appropriated portion of the payment of the General Services Administration's fees formerly known as Standard Level User Charges, or "SLUC" for rental of leased space and related services to all USDA agencies except the Forest Service, which is funded in another appropriation bill.

BUILDING OPERATIONS AND MAINTENANCE

Since October 1, 1984, USDA has maintained and operated the Washington, D.C. Headquarters complex under a delegation of authority from GSA. The four building complex is composed of historically registered buildings varying in age from 50 to 108 years. The complex is the focal point for carrying out USDA's mission. The facilities, which are on the southside of the Mall, were allowed to deteriorate over a 30-year period. In fiscal year 1987, the operation and maintenance responsibility was expanded to include the 49 L Street and Landover warehouses.

A maintenance program was begun to repair, improve, and restore the facilities. During fiscal year 1989, over $6 million in repairs were undertaken. A major effort was undertaken to repair elevators, windows and mechanical systems. In fiscal year 1990, USDA will continue implementation of a long-range plan to correct the serious building deterioration. This effort will upgrade the quality of certain areas of the Headquarters complex to an acceptable level and will assist in the effort to consolidate USDA and achieve better utilization of work space.

Current Activities:

Asbestos Abatement Program. The Administration, Annex and South Buildings contain various construction materials with asbestos. A program to remove these asbestos materials has been underway since 1985. Engineering surveys and tests were conducted in 1985 to determine the extent of the problem. The cost of the asbestos abatement is estimated to exceed $3,000,000. The initial phases were selected to eliminate hazards in areas where maintenance personnel or building occupants were exposed to potentially hazardous conditions. Phase I (fiscal year 1987) and Phase II (fiscal year 1988) in the South Building involved spaces in the sub-basement of the building and costs were over $200,000. Phase I (fiscal year 1988) and Phase II (fiscal year 1989) in the Administration Building included sub-basement and basement areas, janitors' closets, and mechanical penthouses, and costs were over $340,000. We are now completing the design for Phase III in each building and plan to award the contracts in fiscal year 1990, allocating $300,000 to each project.

Window Restoration, South Building. The windows in the South Building, approximately 4,600 in number, had not been repaired in over 50 years. Contracts were awarded in 1988 and 1989 to complete restoration of all the windows on the main facades of the building. As of November 1989, over 1,200 windows have been restored. In fiscal year 1990, a contract will be awarded to restore the windows in selected courtyards of the building, depending on funding availability. Each courtyard is estimated to require about $1,000,000 to restore the 600 windows in each court, for a total cost of $6,000,000 for all six courts.

Elevator Improvements. Many elevators in the South Building include the original equipment installed in the 1930's. In 1989, a contract was awarded to modernize the elevator equipment, correct deficiencies to comply with present code requirements, and improve the service to the building occupants for three elevators. In 1990, two freight elevators will be replaced with new service elevators to eliminate serious safety problems.

Electrical Improvements, Administration Building. The program to replace old and deteriorated components of the Electrical Distribution System is underway. Panelboards are now being replaced under a major construction contract, and a contract to replace deteriorated wiring is being designed for award in fiscal year 1990.

Masonry Restoration Program. The exterior masonry facades of the historic Administration and South Buildings are being restored. The final phase of the restoration of the marble, granite, brick, and terra cotta masonry of the Administration Building is expected to be awarded in fiscal year 1990. The first phase of the restoration program for the limestone, granite, brick, and terra cotta on the Independence Avenue side of the South Building was awarded in fiscal year 1989, for $759,000. The second phase will be awarded in fiscal year 1990. The cost estimate for restoring the South Building completely is about $5,000,000. In order to complete the public facades of the South Building, an estimated $2,000,000 will be required. The six courtyards will require about $2,241,000. The final phase is expected to be awarded in 1990.

Selected Examples of Recent Progress:

-- Completed the replacement of electrical switchgear and related equipment in the central vault of the Administration Building. This eliminated a serious safety hazard and significantly reduced the risk of power outages in the building.

-- Completed Phase I of the Asbestos Removal program in the Administration Building. Asbestos containing materials were removed in the sub-basement and basement levels of the building. Phase II of the Asbestos Removal program is nearing completion, with completion scheduled by January 1990.

-- Substantially completed the project to restore the windows on the East, West and portions of the North sides of the South Building. This project is now going through final inspection.

-- Completed the replacement of bus ducts (power transmitting devices) in the South Building, which connected the transformers in vault 2 to the switchgear in vault 2. The old ducts were aluminum and located in a floor trench and were a serious safety problem. The new bus ducts are copper and located in the ceiling.

-- Substantially completed Phase I of the masonry restoration of the West wing of the Administration Building, Independence Avenue side. Contracts to complete both the East and West wings are now underway and are scheduled to be completed by September 1990.

ADVISORY COMMITTEES

Purpose Statement

The Federal Advisory Committee Act (P.L. 92-463) was passed in 1972 to recognize that committees and similar groups provide a useful and beneficial means of furnishing expert advice to officers of the Federal Government. The Assistant Secretary for Administration is the principal Department Officer responsible for performing functions and coordinating activities of the Act.

The Agriculture, Rural Development and Related Agencies Appropriations Act of 1983 consolidated all USDA advisory committee funds in a separate appropriation, except those in the Forest Service and those paid from user fees.

ADVISORY COMMITTEES

Available Funds and Staff-Years

1989 Actual and Estimated, 1990 and 1991

Item	1989 Actual		1990 Estimated		1991 Estimated	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
USDA Advisory Committees............	$1,294,000	14	$1,494,000	14	$1,383,000	14
National Commission on Agriculture and Rural Development.....	200,000	--	100,000	--	24,000	--
Total, Advisory Committees............	1,494,000	14	1,594,000	14	1,407,000	14

Full-time Equivalent Staff-Years:	1989 Actual	1990 Estimated	1991 Estimated
Ceiling.................	14	14	14
Non-Ceiling............	--	--	--
Total.................	14	14	14

ADVISORY COMMITTEES

CLASSIFICATION BY OBJECTS

1989 and Estimated 1990 and 1991

	1989	1990	1991
Personnel Compensation:			
11 Total personnel compensation	$434,000	$536,000	$529,000
12 Personnel Benefits..........	69,000	66,000	65,000
Total Pers. Comp & Benefits...	503,000	602,000	594,000
Other Objects:			
21 Travel......................	489,000	643,000	586,000
22 Transportation of things....	1,000	1,000	1,000
23.3 Communications, utilities, and other rent............	12,000	11,000	11,000
24 Printing and reproduction...	11,000	31,000	30,000
25 Other services..............	150,000	269,000	160,000
26 Supplies and materials......	24,000	30,000	19,000
31 Equipment...................	2,000	7,000	6,000
41 Grants & Subsidies and Contributions........	40,000	--	--
Total other objects...........	729,000	992,000	813,000
Total direct obligations........	1,232,000	1,594,000	1,407,000
Position Data:			
Average Salary, GM/GS position...	$31,000	$38,285	$37,785
Average Grade, GM/GS positions...	11.28	11.10	11.09

ADVISORY COMMITTEES

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Advisory Committees:

For necessary expenses for activities of Advisory Committees of the Department of Agriculture which are included in this Act, [$1,494,000] $1,407,000: Provided, That no other funds appropriated to the Department of Agriculture in this Act shall be available to the Department of Agriculture for support of activities of Advisory Committees.

ADVISORY COMMITTEES

Appropriation Act, 1990	$1,494,000
Budget Estimate, 1991	1,407,000
Decrease in Appropriation	- 87,000

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

Item of Change	1990 Estimated	Program Changes	1991 Estimated
USDA Advisory Committees	$1,494,000	-$87,000	$1,407,000

PROJECT STATEMENT
(On basis of appropriation)

Item of Change	1989 Actual		1990 Estimated		Increase or Decrease	1991 Estimated	
	Amount	Staff Years	Amount	Staff Years		Amount	Staff Years
Advisory Committees	$1,232,000	14	$1,594,000	14	-$187,000	$1,407,000	14
Unobligated Balance Lapsing	262,000	--	---	--	---	---	--
Unobligated Balance Brought Forward	-100,000	--	-100,000	--	+100,000	---	--
Unobligated Balance Carried Forward	100,000	--	---	--	---	---	--
Total, Appropriation	1,494,000	14	1,494,000	14	- 87,000(1)	1,407,000	14

EXPLANATION OF PROGRAM

The appropriation provides for direction and financial support of all authorized Department of Agriculture advisory committee activities other than those included in the Forest Service or financed by user fees or other funds.

The Federal Advisory Committee Act (P.L. 92-463) was passed in 1972 to recognize that committees and similar groups provide a useful and beneficial means of furnishing expert advice to officers of the Federal Government. In establishing the Act, Congress declared that: committees should be restricted in number to only those essential to provide the necessary expert advice in specialty areas; uniform standards and procedures should govern the establishment, operation, administration and duration of the committees; and Congress should be kept informed of the number and cost of committees.

The FY 1983 Agriculture, Rural Development and Related Agencies Appropriations Act provided a consolidated account for this purpose. Under this consolidated account 36 committees are currently planned for fiscal year 1991. Thirteen are established by statute, and the remaining 23 are established by the Department, either independently, or upon the recommendation of Congress.

JUSTIFICATION OF INCREASES AND DECREASES

(1) A net decrease of $87,000 for in-house salaries, travel and other services resulting from reduced operating requirements of several committees.

Estimates for the Department's Advisory Committees by major policy area follow.

USDA ADVISORY COMMITTEES

Policy Area and Committee Title	1989 actual	1990 estimate	1991 estimate
Food and Consumer Services:			
Nat'l Adv. Council on Child Nutrition	$ 8,824	--	--
Nat'l Adv. Council on Maternal, Infant and Fetal Nutrition	40,610	$40,210	$39,883
Nat'l Adv. Council on Commodity Distribution	56,157	77,403	81,428
Dietary Guidelines Advisory Committee	20,305	104,280	71,911
Total	125,896	221,893	193,222
Science and Education:			
Nat'l Ag. Res. & Exten. Users Adv. Board	188,209	215,200	215,200
National Arboretum Advisory Council	10,687	13,654	13,654
Human Nutrition Board of Scient. Counselors	11,112	18,593	18,593
Science & Education Comp. Res. Grants	12,320	20,800	20,800
National Plant Genetic Resources Board	23,529	28,147	--
Animal Health Science Research Adv.Board	16,900	20,400	20,400
Cooperative Forestry Research Adv. Council	26,246	31,700	31,700
Committee of Nine	39,594	39,300	39,300
Agriculture Biotechnology Research Adv. Com.	117,689	222,940	222,940
Total	446,286	610,734	582,587
Marketing and Inspection Services:			
Federal Grain Inspection Adv. Comm	46,099	65,586	65,586
Nat'l Adv. Comm. on Meat & Poultry Insp.	35,225	25,870	26,003
Nat'l Adv. Comm. on Microbiological Criteria for Foods	25,000	50,000	50,252
Advisory Committees on:			
Foreign Animal and Poultry Diseases	26,948	26,339	26,503
Swine Health Protection	5,242	9,570	--
Gen. Conf. Comm. of the Nat'l. Poultry Improvement Plan	6,436	17,680	7,968
Nat'l Animal Damage Control Adv. Comm	38,099	38,950	38,950
Nat'l Adv. Comm. on Cotton Marketing	52,312	33,300	33,300
Plant Variety Protection Board	6,651	--	--
Varroa Mite Negotiated Rulemaking Adv. Comm.	28,722	--	--
Scrapie Negotiated Rulemaking Adv. Comm	--	45,510	45,220
Total	270,734	312,805	293,782
International Affairs and Commodity Programs:			
Agriculture Tech. Adv. Comm. for Trade	14,170	14,810	15,538
Technical Adv. Comm for Trade in:			
Cotton	13,135	13,737	14,465
Fruits and Vegetables	13,135	13,737	14,465
Grain and Feed	14,170	14,810	15,538
Livestock and Livestock Products	14,170	14,810	15,538
Oilseeds and Oilseed Products	13,135	13,737	14,465
Poultry and Eggs	13,135	13,737	14,465
Tobacco	13,135	13,737	14,465
Dairy Products	13,135	13,737	14,465
Sweeteners	13,135	13,737	14,465
Processed Food	13,135	13,737	14,465
Agribusiness Promotion Council	23,700	24,430	25,719
USDA's Intl. Trade Activities	6,000	6,000	--
Total	177,290	184,756	188,053

Small Community and Rural Development:			
Nat'l Adv. Council on Rural Development....	15,645	--	--
Nat'l Comm. on Agriculture and Rural Devel.	115,806	100,000/1	25,000
Federal Crop Insurance Adv. Committee......	--	10,000	10,000
Total..................................	131,451	110,000	35,000
Economics:			
Nat'l Ag. Cost of Prod. Standards Review Bd.	31,000	31,500	31,900
Departmental Administration:			
Citizen's Adv. Comm. on Equal Opportunity..	49,343	75,212	75,212
Contingencies............................	--	47,100	7,244
Total, Advisory Committees...............	1,232,000	1,594,000	1,407,000

1/ This Commission will be funded from a separate no-year appropriation during Fiscal Year 1990.

ADVISORY COMMITTEES

STATUS OF PROGRAM

The appropriation provides for direction and financial support of all authorized USDA Advisory Committee activities other than those included in the Forest Service and those financed from user fees. The Assistant Secretary for Administration is the principal Committee Management Officer and provides the policy guidance for the establishment and continuation of committees.

A table containing information on the authority and committee membership for each committee appears at the end of the committee activity descriptions.

FOOD AND CONSUMER SERVICES:

National Advisory Council on Child Nutrition

This Council studies the operation of the programs carried out under the National School Lunch Act, the Child Nutrition Act of 1966, and related Acts under which meals are provided for children to determine how such programs may be improved. The membership includes a school administrator, a child development specialist, a vocational education worker, a nutrition expert, a supervisor of a school lunch program in an urban area (or equivalent) and in a rural area, a State superintendent (or equivalent), a school board member; a classroom teacher, two parents of children in schools that participate in the school lunch program, two senior high school students who participate in the school lunch program, and four USDA employees who work in areas relating to child food programs.

The Child Nutrition Program's reauthorization bill, P.L. 101-147 enacted on November 10, 1989, contained a provision abolishing this Council.

National Advisory Council on Maternal, Infant, and Fetal Nutrition

Section 17 of the Child Nutrition Act of 1966 authorized establishment of this Council to make a continuing study of the operation of the Special Supplemental Food Program for Women, Infants, and Children (WIC) and related programs such as the Commodity Supplemental Food Program (CSFP) to determine how these programs may be improved. Public Law 100-690, The Anti-Drug Abuse Act of 1988, mandates that the Secretary appoint an expert in drug abuse education and prevention and an expert in alcohol abuse education and prevention to the Council.

The Council met on August 15-17, 1989, to continue its ongoing study of WIC and CSFP operations. Nineteen Council members, a medical epidemiologist who serves as an official liaison to the Council, and 39 others attended the meeting. One meeting will be held in Fiscal Year 1990 to develop recommendations for the Council's 1990 biennial report to the President and Congress.

Recommendations by the Council at its 1988 annual meeting contributed to activities being carried out by USDA to improve the administration of WIC and CSFP. These include: increasing coordination efforts with the Department of Defense to improve the accessibility of WIC and CSFP to the U.S. military population; meeting with representatives of the Department of Health and Human Services and particularly those working with the Medicaid and Maternal Child Heath Programs to improve the coordination of WIC and health services at the Federal, State and local levels; and the strengthening of WIC State Plan requirements addressing outreach to children with special health care needs.

National Advisory Council on Commodity Distribution

This Council was established to advise the Secretary of Agriculture on the distribution of donated commodities to recipient agencies. The Council is to provide guidance to the Secretary on regulations and policy development on specifications for commodities.

The Council consists of 15 members including three school food service directors, one representative of the Nutrition Program for the Elderly, one representative of the Child Care Food Program, one representative of the Food Distribution Program on Indian Reservations, one commercial distributor, two food processors that utilize USDA commodities, two State distributing agencies, two representatives of an agricultural organization, one State Advisory Council member and one representative of the Commodity Supplemental Food Program.

The Council held two meetings in fiscal year 1989 to discuss a variety of issues. Its formal recommendations were included in its recent annual report to Congress. The next meeting of the Council will be May 1990.

Dietary Guidelines Advisory Committee

The Dietary Guidelines Advisory Committee was established to determine, based on knowledge of current research related to dietary guidance issues, if revision of the 1985 edition of Nutrition and Your Health: Dietary Guidelines for Americans is warranted.

The Committee held meetings in Washington, D.C. on April 5 and 6, 1989 (with seven members attending) and on August 10, 1989 (with eight members attending). At the April meeting, the science related to the seven dietary guidelines presented in the 1985 edition of the bulletin to be reviewed was discussed. Some revisions were recommended. At the August meeting draft revisions were discussed.

One or two meetings in FY 1990 will be required to complete recommendations for the revised content of the Guidelines bulletin, to formulate other related recommendations the Committee deems important and to develop the Committee's report to the Secretaries of USDA and USDHHS. The Committee expects to complete its tasks in fiscal year 1990.

SCIENCE AND EDUCATION:

National Agricultural Research and Extension Users Advisory Board

The National Agricultural Research and Extension Users Advisory Board (UAB) is a citizen's group that reports directly to the President and the Congress on policies, programs and planning in the food and agricultural sciences. Members are appointed by the Secretary and represent eleven categories of users of Federally funded agricultural research and extension and higher education.

At the meeting of November 9-11, 1988, the UAB reviewed research, teaching, and extension programs on new uses and new products, new biological tools, reducing the unit cost of production, water quality and resource conservation, global climate change, and undergraduate education and student recruiting for agriculture. Special presentations were made by former Secretary Butz on "The Future and Challenges for Research and Extension" and University of Arkansas President, Ray Thornton, on "The Next Decade for the Users Advisory Board." The group also visited a local swine operation, a grain elevator and cob processing plant, and the county agent and extension specialist on the F.A.R.M. program. Twenty members attended this meeting, which was held on the Purdue University campus in West Lafayette, Indiana.

The Washington, D.C. meeting was held on February 8-11, 1989. The UAB examined the President's FY 1990 budget proposal for agricultural research, extension, and higher education and wrote its mandated budget report. The UAB also heard from agency heads, OMB, and Senate Agricultural Committee staff about the proposed budget. At the conclusion of the meeting UAB members briefed their U.S. Representatives and Senators on the Board's budget appraisal and program priority recommendations. Twenty-two members attended this meeting.

In Fargo, North Dakota on May 8-10, 1989, the UAB learned about potato and sugar beet research and extension programs. Eighteen members heard from North Dakota State University scientists and extension specialists; toured the Agricultural Research Laboratories, Agricultural Biotechnology Center, Northern Crops Institute, American Crystal Sugar Cooperative research Facility; and participated in an Extension Service 75th Anniversary Video Conference. Other programs on the agenda included shelterbelt tree improvement research and economic development in rural communities.

On August 3-5 1989, in Mescalero, New Mexico, the board studied problems and possibilities regarding watershed management and recreation on public lands. Information from speakers and site visits were developed into the July Statement of Science and Education Priorities which is submitted to the Secretary of Agriculture as mandated by law. This document reflects issues the UAB identified when examining Federally and privately supported programs, makes comments on their relevancy to the user, and recommends ways to strengthen them. Twenty-four members attended this meeting.

The UAB Appraisal of the Proposed 1990 Budget for Food and Agricultural Sciences was distributed to 2,500 people in May 1989. The Chairman, Dr. John Marvel, will meet with Secretary Yeutter to submit the UAB statement on agricultural research and extension priorities.

National Arboretum Advisory Council

This Council was established to counsel and advise the Department on the Arboretum's most critical needs and suggest methods of accomplishing immediate and long-term objectives of research and public education programs. It assists the Department in reviewing the challenges imposed on the Arboretum due to population growth, land use, and other social pressures, identifying opportunities for growth and development, and exploring ways to increase cooperative programs with similar organizations throughout the United States.

Sixteen Council members met on October 23-25, 1988, at the National Arboretum in Washington, D.C., to review research and education programs to make recommendations on programs and facility needs. A written report was presented to the Secretary of Agriculture on November 28, 1988.

A meeting is planned for fiscal year 1990 to evaluate existing programs and activities, review future plans, and make recommendations on the future scope and direction of arboretum programs on trees and other plant life.

Human Nutrition Board of Scientific Counselors

The Human Nutrition Board of Scientific Counselors was established to review research progress and educational activities of the USDA in human nutrition and report to the Secretary on program direction, priorities, scope of activities and quality of programs. Membership on the Board includes scientists and specialists in the areas of food science, clinical nutrition, nutrition biochemistry, pediatrics, and nutrition education from academia and industry.

The Board held its annual meeting in Washington, D.C. on April 26-27, 1989. Eleven board members, 20 USDA scientists, and six guests attended. The meeting was to update the Board on human nutrition education, research and monitoring activities of the Department. The Board passed resolutions concerning nutrition monitoring legislation, competitive research grants in human nutrition, the need for better research facilities for human nutrition research at Beltsville, priorities in collection of food consumption data, the need for manpower training in human nutrition, and food labeling. In addition, a recommendation was made to reinstate discontinued portions of the Crop Estimating Program as it relates to food availability. These resolutions and recommendations were sent to the Secretary of Agriculture in an annual report.

The Board will meet in February 1990 to continue the evaluation of the Department's programs in human nutrition research and education.

Science and Education Competitive Research Grants Office Advisory Committee

This Committee was established by the Secretary of Agriculture. It is concerned with administration of the Science and Education Research Grants Program to assure that research is carried out on the highest priority research areas and has the widest participation by qualified scientists. Its members include representatives from organizations such as the National Science Foundation, the National Research Council-National Academy of Sciences, the Departments of Health and Human Services, Energy, and Agriculture; the Experiment Station Committee on Organization and Policy; a scientist from private industry; and five nationally recognized scientists representing Land-Grant and non-Land Grant institutions addressing research areas that are supported by the program.

On March 30, 1989, and August 29, 1989, 17 and 20 members of the Committee, respectively, met with USDA officials to provide advice on policy matters related to the Competitive Research Grants program for fiscal year 1989; research needs in areas considered for grant support; and the impact of programs funded by other agencies and the grants program. The Committee also assessed the program in relation to progress in funded areas, recommended shifts in resources and ways to improve guidelines and evaluation procedures.

Two similar meetings are planned in fiscal year 1990 to evaluate policies and review accomplishments of the program.

National Plant Genetic Resources Board

This Board assesses national needs to identify high-priority programs for conserving, utilizing, and distributing plant genetic resources for the Secretary of Agriculture and officers of the national Association of State Universities and Land-Grant Colleges. The program's aim is to ensure the availability of genetic resources to provide for a high level of production efficiency for field, horticultural, or forest crops utilized for either domestic consumption or export.

The Board met October 27-28, 1988, in Washington, D.C. Twelve of the eighteen members were in attendance, along with two ex-officio members, the Executive Secretary, and 12 observers. The Board met again March 28-29, 1989, in Washington, D.C. Sixteen of the eighteen members were present along with two ex-officio members, the Executive Secretary, and 25 observers. The purpose of both meetings was to evaluate existing programs and activities, review future plans, discuss U.S. policies, and make recommendations on the future scope and direction of plant genetic resources programs.

Animal Health Science Research Advisory Board

This Board advises the Secretary of Agriculture on the implementation of animal health and disease research programs and recommends priorities in animal health and disease research. This Board is composed of one representative from the Agriculture Research Service (ARS), the Cooperative State Research Service (CSRS), and the Animal and Plant Health Inspection Service (APHIS) of USDA; a representative from the Center for Veterinary Medicine, Food and Drug Administration of the Department of Health and Human Services; two representatives from accredited colleges of veterinary medicine; two from the State Agricultural Experiment Stations; and three representatives from national livestock and poultry organizations.

The Board met in Washington, D.C., on September 14, 1989, to review the status and progress of animal health research programs in CSRS, to make recommendations on the administration of these programs and to provide priorities for animal health research for fiscal year 1990. Seven members were present. The Board reviewed animal health research priorities and developed guidelines to be followed under the CSRS Animal Health Special Research Grant program for fiscal year 1990. These guidelines include recommended allocation of research funds to solve disease problems facing food animal industries of the U.S. This allows the best scientific proposals to compete for funds to solve disease problems constraining the production efficiency of each food animal species. CSRS provided the Committee with a 5-year running account for each commodity describing the ongoing research for that commodity.

Cooperative Forestry Research Advisory Council

The Secretary of Agriculture annually receives a report from this Council concerning regional and national research planning and coordination of forestry research within the Federal and State agencies, forestry schools, and the forest industries. The Council advises the Secretary on national and institutional administration of the forestry research program.

A meeting will be held in Washington, D.C. during fiscal year 1990 to update the Council on program status, budgetary outlook, and the achievements of the McIntire-Stennis Program and to seek the Council's advice on forestry research direction.

Committee of Nine

This Committee advises the Secretary of Agriculture, or Administrator of the Cooperative State Research Service on the Secretary's behalf, in the conduct, management and administration of cooperative regional research. The Committee recommends cooperative regional projects for research in which two or more State agricultural experiment stations cooperate to solve problems that concern the agriculture of more than one state. On or before the beginning of each fiscal year, the Committee recommends a schedule for allocation of the Regional Research Fund (RRF) to cooperative projects for approval by the Administrator, Cooperative State Research Service, on behalf of the Secretary of Agriculture.

Meetings were held on December 1-2, 1988, and May 17-19, 1989, in Washington, D.C., and September 6-8, in Corvallis and Newport, Oregon. The May meeting included review and evaluation of regional research projects in their first two years of operation. The evaluation results were communicated to participating Station Directors and project Administrative Advisors. At the September meeting, the Committee reviewed new and/or revised projects, extension requests, and recommended approval of the FY 1990 tentative allotment schedule. All members attended the meetings.

There are approximately 196 active regional research projects, including 6 interregional projects. In fiscal year 1989, the Committee reviewed 39 new and/or revised regional research proposals. Of the proposals reviewed, there were 12 new, 14 revisions, and 13 deferrals. Of the 13 deferrals, 5 were resubmitted after the Committee's concerns had been addressed by the regional technical committees and recommended for approval. In addition, the Committee recommended 3 RRF proposals be rejected and 20 extensions be approved. The Committee fully examined the strategies for developing National Research Support Projects (NRSP) and National Research Projects (NRP) as components of the National Research System. The subcommittee on Communications reported that, initially, accomplishment reporting would be done on a quarterly basis to allow constituent feedback and stabilize editorial support.

In fiscal year 1990, three regular meetings and a National Workshop are planned.

Agricultural Biotechnology Research Advisory Committee

This Committee was established to advise the Secretary of Agriculture on policies, programs, operations, and activities associated with the conduct of agricultural biotechnology research. Its duties include overseeing the review of proposed research projects on genetically engineered organisms, evaluating the adequacy of draft proposals used by USDA in preparing environmental assessments of the above research projects, recommending alterations to research guidelines and protocols as necessary, advising other Federal and State agencies on agriculturally related research projects, and providing information to and maintaining cognizance of Institutional Biosafety Committees (IBC's) to assure the availability of essential personnel to carry out oversight of agriculturally related biotechnology functions.

In fiscal year 1989, two meetings of the full Committee were held in Washington, D.C. At the first, on January 5-6, 1989, there were 41 visitors and 9 USDA staff members. The second meeting was held on March 22-23, 1989, and it was attended by 38 visitors and 10 USDA staff members.

There were also three meetings of working groups established by the full Committee. The first was a Confinement Working Group meeting held November 11, 1988, in Chicago, IL. attended by 3 USDA staff members and 15 visitors. The second was a Guidelines Working Group meeting held December 2, 1988, in Washington, D.C. attended by 5 USDA staff members and 6 visitors. The third was a meeting of the Working Group on Classification of Organisms held June 22-23, 1989, in Washington, D.C. attended by 9 USDA staff members and 6 visitors. The Committee developed scientific advice and recommendations on research guidelines for agricultural biotechnology, a draft handbook on biotechnology for agricultural researchers, and two specific research proposals. One proposal involved academic research on an improved recombinant animal vaccine for combatting brucellosis in cattle. The other proposal involved the testing in outdoor research ponds of fish that had been genetically modified for improved growth.

In fiscal year 1990, meetings of the full Committee have been tentatively scheduled for January 10-12, 1990, March 22-23, 1990, June 20-21, 1990, and September 19-21, 1990. Agenda items are expected to include research priorities in agricultural biotechnology and information related to the development of an environmental impact statement for USDA biotechnology research guidelines.

MARKETING AND INSPECTION SERVICES:

Federal Grain Inspection Service Advisory Committee

The purpose of this Committee is to advise the Administrator of the Federal Grain Inspection Service (FGIS) on the implementation of the U.S. Grain Standards Act, 7 U.S.C. 87. The Assistant Secretary for Marketing and Inspection Services is the Chairperson, The Administrator of FGIS is Vice Chairman, and the Assistant to the Administrator is Executive Secretary. Members represent the interests of all segments of the grain producing, processing, storing, merchandising, consuming, and exporting industries including grain inspection and weighing agencies and scientists with expertise in research related to the Act.

The Committee met three times in fiscal year 1989: twice in Washington, D.C. and once in Vancouver, Washington. It formed one subcommittee to make recommendations on grain standards regarding dockage, foreign material, and broken grains. During fiscal year 1989, the Committee addressed such issues as in-transit grain quality, uniform loading plans, wheat dockage and foreign material, soybean protein and oil testing, the FGIS Mission statement, financial management, safety, sunflower seed oil calibration, and research activities.

Four full committee meetings are scheduled for fiscal year 1990 so the Committee can continue to provide advice, primarily on grain quality. Subcommittee meetings will be held on an as-needed basis.

National Advisory Committee on Meat and Poultry Inspection

The Secretary of Agriculture is required by Federal inspection laws to consult with this Committee prior to issuing product standards, labeling changes, or on matters affecting Federal and State inspection program activities. The Committee consisted of 25 members representing the meat and poultry industry, scientific community, Federal and State governments, and public sector.

One meeting was held on October 30-31, 1988, in Monterey, California. A total of 22 members heard discussions relating to product standards and labeling and issues affecting state meat and poultry inspection programs. USDA received and acted on recommendations of the Committee pertaining to: improved processing inspection, international programs, exemption policies, verified production control and incentive labeling.

Plans for fiscal year 1990 include a restructuring of the Committee resulting in an approximate 50 percent reduction in membership. The Committee will meet once during the year to respond to the needs of USDA and to discuss pending issues affecting meal and poultry inspection programs.

National Advisory Committee on Microbiological Criteria for Foods

The National Advisory Committee on Microbiological Criteria for Foods is cosponsored by USDA's Food Safety and Inspection Service, Health and Human Service's Food and Drug Administration, Commerce's National Marine Fisheries Service, and Defense's U.S. Army Natick Research Development and Engineering Center. The Committee is charged with providing advice and recommendations on microbiological criteria by which the safety and wholesomeness of foods can be assessed. Its membership is comprised of recognized experts in the areas of microbiology, food science, and medicine.

During fiscal year 1989 meetings were held October 18-22, in Orlando, FL; January 23-25, in Washington, D.C.; March 14-16, in San Francisco, CA; May 10-13, in New Orleans, LA; June 21-22, in Chicago, IL; and August 30-September 1, in Chicago, IL. Formal recommendations were presented to the Secretaries of Agriculture and Health and Human Services in the following areas: (1) Standardized labeling and logo system, (2) Research needs in food safety microbiology, and (3) Education and training to improve public health.

Final documents outlining microbiological criteria for cooked refrigerated meat and poultry products, and cooked, ready-to-eat shrimp and crab meat have been prepared. The documents will be presented to full committee in fiscal year 1990 for a favorable consensus.

Foreign Animal and Poultry Diseases

This Committee advises the Secretary of Agriculture on means to prevent, suppress, control, or eradicate an outbreak of foot-and-mouth disease or other destructive foreign animal or poultry diseases if such diseases should enter the United States. Committee duties involve advising and counseling USDA on policy and regulatory action pertaining to problems in dealing with an outbreak, changing practices in the production and marketing of animals, the importation of animals and animal products, and the handling and treatment of unusual or suspicious animal or poultry disease problems. Committee members represent all interests concerned with contagious disease within the livestock and poultry industries producers, processors, veterinarians, and scientists.

Eighteen Committee members met on August 15, 1989, at the USDA's Plum Island Animal Disease Center, in Greenport, New York to discuss the Center's research plans, mission, and the future needs of the facility. The meeting continued on August 16-17, 1989, at New Haven, Connecticut.

Twenty four resolutions and recommendations were drafted and forwarded to the Secretary concerning the Plum Island Animal Disease Center; standards for the importation of domestic animals; the safe importation of llamas; ostriches, red deer, and other animals and birds; user fees for import services; quarantine facilities; African horse sickness; animal-borne diseases; the equine industry; hog cholera; tick eradication; heartwater; and environmental concerns. The Committee will meet again in March 1990 to consider current issues.

Advisory Committee on Swine Health Protection

The Advisory Committee on Swine Health Protection consults with the Secretary of Agriculture on matters concerning the Swine Health Protection Act to assure effective coordination between Federal and State programs for regulating feeding of garbage to swine. The Committee also ensures that the Swine Health Protection Program meets the needs of the swine industry. Members represent industry and swine producer organizations.

On June 8, 1989, in Washington, D.C., 17 Committee members were informed about swine health protection activities, including compliance and enforcement, swine identification, efforts of FDA to keep chemically treated seed out of the swine food chain, cooperation between APHIS and FSIS on garbage disposition from hotels, restaurants and institutions, and prevention of disease introduced by international passengers. They were also informed of the changes in APHIS brought about by the October 1988 agency reorganization.

After review and deliberation of the issues, the Committee made recommendations to the Secretary that addressed amending the Committee's charter to allow it to address all domestic swine health issues; amending 9 CFR 71.19 to require identification of swine at the first point of concentration; forming a panel of experts to evaluate the significance of caliciviruses to the swine industry; accelerating the brucellosis eradication program in swine and cattle; development of a plan to protect producers against the consequences of feeding grain contaminated with chemically treated seed; providing information about toxoplasmosis research to the Committee; and encouraging States with primary enforcement responsibility to continue the administration of the Swine Health Protection Program.

General Conference Committee of the National Poultry Improvement Plan

The Committee represents cooperating State agencies and poultry industry members and serves as liaison between the poultry industry and the Department of Agriculture on matters pertaining to poultry health. The seven industry representatives on the Committee are elected by State and industry delegates to the Biennial National Poultry Improvement Plan (NPIP) Conference with one member being elected from each of the six geographical regions of the United States and one member-at large.

The Committee met on December 13 and 14, 1989 in Washington, DC, with 23 members and guests present. The Committee was briefed on the problem of human salmonellosis associated with *Salmonella enteritidis* infection in commercial table egg flocks. Representatives from various segments of the egg industry presented views on ways to resolve the problem.

The Committee recommended to the Department that a mandatory testing program for egg-type breeding flocks was not needed at this time since the commercial breeding/hatching industry was presently monitoring and testing commercial flocks and would participate in the voluntary control program, "U.S. Sanitation Monitored".

The GCC met in Washington, DC, November 14 and 15, 1989 to review, discuss, and make recommendations to the Secretary concerning current problems in the administration of the NPIP, and possible changes to the NPIP either immediately or for consideration at the Biennial Conference. The GCC will also meet in conjunction with the Biennial Conference and will assist in conducting that meeting.

National Animal Damage Control Advisory Committee

This Committee provides advice to the Secretary on policies, program issues, and research needed to conduct the Animal Damage Control (ADC) program. It consists of 20 members representing a broad spectrum of agriculture, environmental and conservation groups, academia, and other interests.

An annual meeting of this committee was held in Denver, Colorado, on November 29-30, 1988. In attendance were the 20 committee members, the APHIS Administrator, the Deputy Administrator for ADC, APHIS, Directors from the Fish and Wildlife Service and the Bureau of Land Management, and the Associate Deputy Chief of the Forest Service. Each Agency presented issues of concern in regards to animal damage control. Of particular interest was the issue of migratory bird depredation and the procedures for obtaining migratory bird depredation permits. It was the consensus that closer cooperation is needed between the agencies represented.

The next meeting is scheduled for January 23-24, 1990, in Arlington, Virginia, to continue to review animal damage control program policies and issues.

National Advisory Committee on Cotton Marketing

The purpose of this Committee is to review and evaluate all aspects of the cotton marketing system and to recommend to the Secretary ways of improving its efficiency. The review includes but is not limited to the cotton classification, cotton standards, and market information programs, and the impact of High Volume Instruments (HVI) classification on the price support loan structure. The Committee consists of the Administrator of the Agricultural Marketing Service as chairman, and 16 members representing growers, ginners, cooperatives, warehousers, merchants, manufactures, and the academic and research communities.

The subcommittee of the National Advisory Committee met two times and the full committee had one meeting in Memphis, Tennessee, in August 1989. The committee made several additional recommendations regarding HVI classing, grade requirements, the CCC loan structure, and other issues. Changes to the U.S. Cotton Marketing System endorsed by the committee would require High Volume Instrument classing of the 1991 and succeeding U.S cotton crops.

It is anticipated that the committee will meet at least two times in fiscal year 1990.

Plant Variety Protection Board

This Board advises the Secretary on the adoption of rules and regulations to administer the Plant Variety Protection Act; makes advisory decisions on all appeals; and advises the Secretary on all questions pertaining to the use of a protected variety if it is needed to provide an adequate supply of fiber, food, or feed in this country. The Board is made up of fourteen unpaid members appointed by the Secretary, and three U.S. Department of Agriculture managers. The Board represents all factions of the seed industry and includes farmer, private seed industry, and public or government representatives.

The Board's one meeting in fiscal year 1989 was held on November 15, 1988, in Beltsville, Maryland, to make recommendations on the minimum differences necessary to establish distinctness among varieties of plants. Eleven of the fourteen Board members attended. After a series of presentations and discussions of the many factors to be considered in minimum difference decisions, the Board selected a committee of three members to keep in contact with the American Seed Trade crop specific committees working on minimum distance and to keep the Board informed of their findings.

There are no mettings of the Board planned for fiscal year 1990 or 1991.

National Advisory Committee on Cotton Standards

The National Advisory Committee on Cotton Standards was appointed by the Secretary in June 1989. Its purpose is to review the American Upland Grade Standards, which are prepared by the USDA and to make recommendations to the USDA regarding the establishment, revision, or change of the standards. The committee is composed of 12 U.S. producer and ginner representatives, 6 representatives of U.S. merchandising firms, 6 representatives of U.S. textile manufacturers, and 2 representatives from each of the foreign signatory associations to the Universal Cotton Standards Agreement.

The committee met in Memphis, Tennessee, June 22-23, 1989, in connection with the Universal Cotton Standards Conference. The committee assumed its duties and fulfilled its responsibilities at this Conference. The committee did not propose changes or revisions to the standards as a result of its review.

No additional meetings of this committee are planned. It is anticipated that another committee will be appointed prior to the next Universal Cotton Standards Conference to be held in 1992.

Varroa Mite Negotiated Rulemaking Advisory Committee

The purpose of this Committee was to bring together representatives of the bee industry, other Agricultural industries, and Federal and state officials to determine the need for a regulation to prevent the interstate spread of the Varroa mite. The Committee met twice during FY 1989. The first meeting, held November 30 through December 2, 1988 in Washington, D.C. was attended by 15 committee members, plus three facilitators. The committee agreed on the need for a regulatory program and on appropriate actions for dealing with the Varroa Mite. The committee met again on January 5 and 6, 1989, at the Federal Mediation and Conciliation Service in Washington, D.C., to review the draft regulation that resulted from the first meeting.

Based on the recommendations of the Committee, a proposed rule designed to slow the interstate spread of the Varroa mite was developed and published for comment. The proposed rule was later withdrawn because of widespread negative response from the industry. The Department concluded that any Federal attempt to control the Varroa mite would not be workable, and therefore opted to leave control efforts in the hands of state governments and the bee industry.

The Department Regulation establishing this Committee expired on March 1, 1989.

SCRAPPIE NEGOTIATED RULEMAKING ADVISORY COMMITTEE

An advisory committee is being chartered in fiscal year 1990 for the specific purpose of considering and negotiating a new regulation upon which the scrapie animal disease program will be based. The negotiated rulemaking process is designed to facilitate negotiation betweeen representatives of government, industry and affected public interests and to achieve agreement on the measures needed to control this disease.

The Committee will be established in December and with no more than 25 members. It will meet several times during fiscal year 1990 as determined by progress in the negotiations. Committee activities may extend into fiscal year 1991.

INTERNATIONAL AFFAIRS AND COMMODITY PROGRAMS:

Agricultural Policy Advisory Committee for Trade

Advisory Committee to Evaluate Management Improvement Proposals of USDA's International Trade Activities

Agricultural Technical Advisory Committees for Trade

These private sector advisory committees seek information and advice from representative elements of the private sector on negotiating objectives and bargaining positions before entering into a trade agreement, the operation of any trade agreement once entered into, and other matters arising in connection with the administration of the trade policy of the United States.

The committees currently in existence are an Agricultural Policy Advisory Committee for Trade (APAC); an Advisory Committee to Evaluate Management and Improvement Proposals of USDA's International Trade Activities; and Agricultural Technical Advisory Committees for Trade (ATACs) in agricultural commodities (cotton, dairy products, fruits and vegetables, grain and feed, livestock and livestock products, oilseeds and oilseed products, poultry and eggs, sweeteners, tobacco, and processed foods). The APAC provides advice regarding overall agricultural trade issues. The Advisory Committee to Evaluate Management Proposals of USDA's International Trade Activities serves to assist the Secretary to evaluate the reorganization proposal of the Department and evaluate other proposals to improve management of USDA's international trade activities. The ATACs provide detailed technical advice and information on their respective commodities. Each of these committees is composed of various agricultural interests such as farmers, farm and commodity organizations, processors, traders, etc. The commodities are reasonably limited in size to cover the commodity lines involved.

During fiscal year 1989, some topics discussed in meetings were: 1) Pending Trade Legislation; 2) Harmonized Tariff System conversion; 3) various Section 301 cases; and 4) other items of specific interest to the individual committees.

Agribusiness Promotion Council

The Agribusiness Promotion Council (APC), assists USDA in implementing the Caribbean Basin Initiative in furtherance of the Caribbean Basin Economic Recovery Act. The Council seeks to promote the sound economic development of the Caribbean Basin and further the good will and understanding between the people of the region and the United States.

Accomplishments of the Council for fiscal year 1989 included: a Business Opportunity/Investment Mission to the Dominican Republic in October; a Buyers Mission to Guatemala in December; an Agribusiness Opportunity/Investment Mission to the Bahamas in January; a Business Opportunity Mission to Grenada in May; and a conference on Hot Water Treatment of Mangoes, which was conducted in July.

SMALL COMMUNITY AND RURAL DEVELOPMENT:

National Commission Council on Agriculture and Rural Development

The purpose of this Commission is to conduct a study of the structure, procedures, and methods of formulating and administering agricultural policies, programs and practices and of conditions in rural areas and the manner in which such conditions relate to the provision of public services by Federal, State and local governments.

The Commission held monthly meetings to formulate findings and recommendations on the future direction of agricultural policy. The Commission received testimony from over 50 individuals on a diverse range of tapes related to their mission. All but 4 meetings were held in Washington, D.C. The other meetings were held in Fargo, North Dakota, Raleigh, North Carolina, Sacramento, California, and Santa Fe, New Mexico. The Commission transmitted its report to the President and Congress in December 1989.

The Commission will discuss the schedule for the remaining fiscal year 1990 meetings in January.

Federal Crop Insurance Advisory Committee

This Committee, which will begin operation in fiscal year 1990, will create a forum for insurance industry and farm groups to review and advise the Department on marketing, actuarial and claims issues prior to policy development and decision making. The Committee will be limited to 25 persons, chaired by an USDA official. It is in the process of being chartered.

ECONOMICS:

National Agricultural Cost of Production Standards Review Board

This Board reviews the adequacy, accuracy, and timeliness of the cost of production methodology used by the Department in determining specific cost of production estimates; reviews the adequacy of the parity formulae; advises the Secretary on such matters dealing with the cost of production of agricultural commodities and price support operations as the Secretary may request; and makes such recommendations to the Secretary as it deems appropriate, including ways in which the cost of production methodology and parity formulae can be improved.

The Board consists of seven commercial farmers, three members knowledgeable about costs of production methodology, and one USDA employee. They meet twice a year to critique draft versions of questionnaires and review current costs and returns estimates.

The 1989 meetings were held in February and July in Washington, D.C. In its annual report, the Board recommended the following: (a) the parity price for any commodity shall be the product of the adjusted base price for that commodity and the Parity Index; (b) the adjusted base price for any commodity shall be the average price of that commodity over the previous 10 years divided by the 10-year average of the Parity Index; (c) the Parity Index shall be the price paid for production items and shall be distinct for crop commodities and animal products; (d) the Secretary of Agriculture shall use the same base period for all index numbers relating to parity. The Board also recommended that enterprise cost of production estimates continue to make a distinction between production and marketing expenses and that development of a farm-level Budget Generator continue. The Board continued to express interest in having more information on costs by size of farm operations.

The Board plans two meetings in fiscal year 1990 to review cost of production methodology.

DEPARTMENTAL ADMINISTRATION

Citizen's Advisory Committee on Equal Opportunity

This Committee recommends changes in Department rules, regulations, and procedures to ensure that USDA programs and activities are free of discrimination based on race, color, sex, religion, national origin, age, marital status or disability; provides grassroots perspective on USDA programs as they relate to equal opportunity; and advises the Secretary on the effectiveness of the Department's policies and practices designed to promote equal opportunity.

The committee held two meetings in fiscal year 1989. The first meeting was at the University of California at Davis in November. The committee received information pertinent to extension programs, particularly as they impact persons with disabilities, small scale agriculture and university efforts to increase employment opportunities and develop interest in agriculture careers among minorities and women.

The second meeting was held in Denver, Colorado in May 1989. The members received information and conducted on-site tours of USDA programs impacting older Americans and American Indians.

In fiscal year 1990, the Committee will concentrate on the issues of--minority aspects of USDA rural development programs and--equal employment opportunity. A minimum of two field meetings will be held at sites to be determined. USDA officials and public witnesses will be asked to present their views. Reports, with recommended actions, will be made to the Secretary within 60 days of each meeting.

Authority and Composition of USDA Advisory Committees

Committee Title	USDA Agency	Descrip. of Committee Authority Statutory (S)/Discretionary (D)		Committe Membership
FOOD AND CONSUMER SERVICES:				
National Advisory Council on Child Nutrition	FNS	S	Section 15, National School Lunch Act	13
National Advisory Council on Maternal, Infant and Fetal Nutrition	FNS	S	Section 17, Child Nutrition Act of 1966, P.L. 95-627 (42 USC 1786); P.L. 100-690	23
National Advisory Council on Commodity Distribution	FNS	S	P.L. 100-237	17
Dietary Guidelines Advisory	HNIS	D	Departmental Regulation 1040-94	9
SCIENCE AND EDUCATION:				
National Agricultural Research and Extension Users Advisory Board	CSRS	S	Title XIV, Extensions and Teaching Policy Act of 1988 as amended by the Agricultural and Food Act of 1985 (P.L. 99-198).	25
National Arboretum Advisory Council	ARS	D	Dep. Reg 1042-75	16
National Plant Genetic Resources Board	ARS	D	Departmental Regulation 1043-7	20
Human Nutrition Board of Scientific Counselors	ARS	D	Dept Reg 1043-22	13
Science and Education Competitive Research Grants Office Advisory Committee	CSRS	D	Departmental Regulation 1043-5	17
Animal Health Science Research Advisory Committee	CSRS	S	Section 1432, P.L. 95-113, National Agricultural Research, Extension and Teaching Policy Act of 1977 as amended.	12
Cooperative Forestry Research Advisory Council	CSRS	S	Section 1441(c), The Agriculture and Food Act of 1981, as amended, P.L. 97-98.	16
Committee of Nine	CSRS	S	Hatch Act, 1887:The Agricultural Experiment Stations Act of 1955, (7 U.S.C. 361).	9
Agricultural Biotechnology Research Advisory Committee	CSRS	D	Dept. Reg. 1042-87	13
INTERNATIONAL AFFAIRS AND COMMODITY PROGRAMS:				
Agribusiness Promotion Council	OICD	D	Departmental Regulation 1043-11	30
Agricultural Policy Advisory Committee for Trade	FAS	D	Dept. Reg. 1042-68	22

INTERNATIONAL AFFAIRS AND COMMODITY PROGRAMS, Continued:

Tech. Adv. Comm. for Trade in:

Cotton	FAS	D	Dept. Reg. 1042-68	9
Fruits and Vegetables	"	"	"	14
Grain & Feed	"	"	"	8
Livestock & Livestock prod.	"	"	"	7
Oilseeds & Oilseeds prod.	"	"	"	8
Poultry & Eggs	"	"	"	14
Tobacco	"	"	"	5
Dairy Products	"	"	"	10
Sweeteners	"	"	"	7
Processed Foods	"	"	"	3

MARKETING AND INSPECTION SERVICES:

Federal Grain Inspection Service Advisory Committee	FGIS	S	Secton 20, U.S. Grain Standards Act 7 U.S.C. 87; Public Law 100-518	17
National Advisory Committee on Meat and Poultry Inspection	FSIS	S	Federal Meat Inspection Act; Poultry Products Inspection Act. 21 USC 661. 21 USC 454	11
National Advisory Committee on Microbiological Criteria for Foods	FSIS	D	Departmental Regulation 1043-82, 3/28/88	26
Advisory Commitee on Foreign Animal and Poultry Diseases	APHIS	D	Departmental Regulation 1043-3, 8/21/86	22
Advisory Committee on Swine Health Protection	APHIS	S	Swine Health Protection Act, P.L. 96-468	10
General Conference Committee of the National Poultry Improvement Plan	APHIS	D	Dept. Reg. 1043-8	10
National Animal Damage Control Advisory Committee	APHIS	D	Departmental Regulation 1043-27.	23
Varroa Mite Negotiated Rulemaking	APHIS	D	Departmental Regulation 1043-29	
National Advisory Committee on Cotton Marketing	AMS	D	Departmental Regulation 1043-63	17
Plant Variety Protection Board	AMS	S	Plant Variety Protection Act, 1970 (7 U.S.C. 2329).	14

SMALL COMMUNITY AND RURAL DEVELOPMENT:

National Commission on Agriculture and Rural Development	SCRD	S	Section 1723(a), National Commision on Agriculture and Rural Development Policy Act of 1985, as amended, 7 U.S.C. 5002	14

ECONOMICS:

National Agricultural Cost of Production Standards Review Board	ERS	S	Title X, Subtitle B, Agriculture and Food Act of 1981.	11

DEPARTMENTAL ADMINISTRATION:

Citizen's Advisory Committee on Equal Opportunity	OAE	D	Departmental Regulation 1043-16.	21

HAZARDOUS WASTE MANAGEMENT

Purpose Statement

This program is designed to promote facility compliance under the requirements of the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) and the Resource Conservation and Recovery Act (RCRA). These Acts require Federal agencies to meet the same standards for storage and disposition of hazardous wastes as private businesses. The funds provided for this program enable the Department to address problems posed by past uncontrolled hazardous waste disposal practices and to deal with the regulation of current hazardous substances.

A central fund has been established from which resources are allocated to USDA agencies according to priority of need. This approach permits the Department to correct compliance problems in a systematic manner.

HAZARDOUS WASTE MANAGEMENT

Available Funds and Staff-Years

1989 Actual and Estimated, 1990 and 1991

Item	1989 Actual Amount	1989 Actual Staff Years	1990 Estimated Amount	1990 Estimated Staff Years	1991 Estimated Amount	1991 Estimated Staff Years
Total, Appropriation...	$5,000,000	--	$19,927,000	--	$29,586,000	--

HAZARDOUS WASTE MANAGEMENT

CLASSIFICATION BY OBJECTS

1989 and Estimated 1990 and 1991

		1989	1990	1991
Other Objects:				
21	Travel....................	$ 29,000	--	--
22	Transportation of things..	32,000	--	--
24	Printing and reproduction.	1,000	--	--
25	Other services............	3,038,963	$19,927,000	$29,586,000
26	Supplies and materials....	35,000	--	--
31	Equipment.................	44,000	--	--
32	Land and structure........	287,000	--	--
Total direct obligations..........		3,466,963	19,927,000	29,586,000

Hazardous Waste Management

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets) :

Hazardous Waste Management

> For necessary expenses of the Department of Agriculture, except for expenses of the Commodity Credit Corporation, to comply with the requirement of section 107g of the Comprehensive Environmental Response, Compensation, and Liability Act, as amended, 42 U.S.C. 9607g, and section 6001 of the Resource Conservation and Recovery Act, as amended, 42 U.S.C. 6961, [$20,000,000] $29,586,000, to remain available until expended: Provided, That appropriations and funds available herein to the Department of Agriculture for hazardous waste management may be transferred to any agency of the Department for its use in meeting all requirements pursuant to the above Acts on Federal and non-Federal lands.

HAZARDOUS WASTE MANAGEMENT

Appropriation Act, 1990	$20,000,000
Budget Estimate, 1991	29,586,000
Increase in Appropriation	+9,586,000

Adjustment in 1990		
Appropriation Act, 1990	$20,000,000	
Gramm-Rudman-Hollings Reduction (P.L.99-177)	-73,000	
- Adjusted base for 1990		19,927,000
Budget estimate, 1991		29,586,000
Increase over adjusted 1990		+9,659,000

SUMMARY OF INCREASE AND DECREASE
(on basis of appropriation)

Item of Change	1990 Estimated	Program Changes	1991 Estimated
Hazardous Waste Management	$19,927,000	+$9,659,000	$29,586,000

PROJECT STATEMENT
(on basis of adjusted appropriation)

Item of Change	1989 Actual Amount	1989 Actual Staff Years	1990 Estimated Amount	1990 Estimated Staff Years	Increase or Decrease	1991 Estimated Amount	1991 Estimated Staf Year
Hazardous Waste Mgmt	$3,466,963	--	$19,927,000	--	+$9,659,000	$29,586,000	--
Unobligated balance, start of year	-1,255,729	--	-2,788,766	--	--	-2,788,766	--
Unobligated balance, end of year	+2,788,766	--	+2,788,766	--	--	+2,788,766	--
Total available or estimate	5,000,000	--	19,927,000	--	+ 9,659,000	29,586,000	--
Gramm-Rudman-Hollings Reduction(P.L.99-177)	--	--	+73,000	--			
Total Appropriation	5,000,000	--	20,000,000	--			

EXPLANATION OF PROGRAM

This appropriation funds the Department's efforts to identify, assess, contain, and clean up hazardous waste sites in areas covered by programs of the Department or within Departmental jurisdiction. These responsibilities were imposed on all Federal agencies by the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) and the Resource Conservation and Recovery Act (RCRA).

Since the Department identified a number of hazardous waste sites requiring remedial action, a central fund was established in fiscal year 1988. Resources from this fund are allocated to Departmental agencies according to priority needs. The agencies receiving these funds in fiscal year 1990 are the Agricultural Research Service, the Animal and Plant Health Inspection Service, the Farmers Home Administration, the Food Safety and Inspection Service, the Forest Service, the Soil Conservation Service, and the Office of the General Counsel.

JUSTIFICATION OF INCREASES AND DECREASES

A net increase of $9,659,000 to undertake hazardous waste compliance activities associated with remediation of ground or surface water contamination under the CERCLA and with meeting underground storage tank requirements under the RCRA. ($19,927,000 available in 1990).

Need for Change. The Department's hazardous waste management program is intended to insure compliance with the applicable environmental laws. The Superfund Amendments and Reauthorization Act (SARA) established specific deadlines for completing the various phases of this work. The Federal Agency Hazardous Waste Compliance Docket is the Environmental Protection Agency's (EPA) and the general public's mechanism for tracking the progress of individual projects.

The USDA fiscal year 1991 program will move toward completion of site discovery and identification, preliminary assessments, and site investigations for those sites currently not listed on the Docket, but which have the potential for inclusion.

The CERCLA portion of the program will also include the design of clean-up strategies and clean-up at a number of sites where the work has progressed to these stages. Approximately $12 million more is needed for site assessment and clean up of abandoned mining sites to comply with the CERCLA in 1991. This increase would be offset by $1.5 million of reductions in planning and site assessment, therefore a net increase of $10.5 million is requested.

The RCRA portion of the program will be directed to compliance with underground storage tank (UST) requirements. A majority of these tanks are old enough to require removal and replacement according to EPA regulations.

In fiscal year 1991 the estimated cost of removing and replacing storage tanks is increasing. Costs associated with cleanup of leaking tanks and contaminated soil and/or ground water are also increasing. However, there are cost reductions of $4.7 million anticipated in the planning stages as projects move towards completion. There is a $3 million increase for municipal landfills which are under special use permits to the Federal government. All together we will need approximately $3.8 million additional to comply with RCRA in fiscal year 1991. This increase will be offset by savings in the planning stages for an effective $.9 million reduction to total program costs as shown by the table below.

Hazardous Waste Management
FY 1991 Estimated Program Changes
(Dollars in Millions)

CERCLA

Abandoned Mines	$12.0
Planning Reduction	-1.5
Subtotal	10.5

RCRA

(Storage Tanks)	$ 3.8
Planning Reduction	-4.7
Subtotal	-.9
Total Increase	$9.6

Nature of Change. The request for fiscal year 1991 provides most of the agencies involved with the capability to continue an effective hazardous waste management program. For CERCLA facilities, the work will involve remedial activities, which include preliminary site assessments, site investigations, analyses to identify potential problems, cleanup strategies, and cleanup of individual sites. Because of the specialized training and expertise that is needed to conduct these types of activities, most of the work will be handled through contracting with qualified consulting firms.

For RCRA facilities, the work will involve underground storage tank leak testing, repair or replacement, and contamination clean-up at landfills as necessary. It will also provide for tank removals to help achieve the objectives of the Department's efforts to eliminate Government-owned fuel facilities.

Allocations to USDA agencies are shown below. The allocations for fiscal year 1991 are tentative, based on current program status.

Current and Proposed Allocation of Funds
for Hazardous Waste Management
(Dollars in Thousands)

USDA Agency	1990 estimate	1991 estimate
Agricultural Research Service.......	$5,800	$5,386
Animal and Plant Health Inspection Service	365	253
Farmers Home Administration...............	489	500
Food Safety and Inspection Service........	200	38
Forest Service............................	12,800	23,145
Office of the General Counsel.............	100	100
Soil Conservation Service.................	173	164
Total Allocations..................	19,927	29,586

HAZARDOUS WASTE MANAGEMENT

Status of Program

This program has been established to promote facility compliance under the requirements of the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) and the Resource Conservation and Recovery Act (RCRA). A central fund has been created from which resources are reallocated to USDA agencies according to priority of need.

In August, 1985, the Department initiated a survey to determine the overall scope of the problems associated with the past unregulated hazardous waste disposal practices and the current regulation of hazardous substances. USDA agencies identified and reported on facilities or sites in violation of applicable standards resulting in pollution or contamination of ground/or surface water or the release of hazardous substances. The survey identified a number of hazardous waste problems, which included improper handling of toxic chemicals at research facilities, inadequate storage of pesticides and other hazardous substances, and leaking underground storage tanks. The results of this planning determined an estimated need of approximately $100 million for high priority sites.

Program Status

Of the total amount of funding available from the FY 1989 appropriation and the FY 1988 carryover, $4,693,000 has been directed towards activitites at CERCLA sites. This includes site discovery, perliminary assessments (PA's) and site investigations (SI's) aimed at verifying and quantifying individual project and overall program requirements. This step in the CERCLA process is important in that it established the basis for further actions as the data gathered is used to determine the next phases that may be necessary. In FY 1989, PA's and SI's were initiated at 32 CERCLA sites. Fiscal Year 1989 funds were also used for the design of corrective actions, and for implementation of cleanup measures at a limited number of sites. The following are selected examples:

Yakima Agricultural Research Library Yakima, Washington	Design for necessary cleanup measures has been completed and a clean closure plan has been approved by the EPA and State. A contract for the remedial action will be issued in the near future.
Regional Poultry Research Library East Lansing, Michigan	A contract for preremedial investigative work and a PA/SI report has been awarded. The project has been fully coordinated with the State and EPA.

Holden Mine Wenatchee National Forest Wenatchee, Washington	A multimillion dollar contract for remedial action (cleanup) has been awarded. Because of its magnitude, the project will be stage-constructed. However, the initial work is underway.
Johnson County Landfill Shawnee National Forest	Installation of ground water monitoring wells has been initiated. Sampling and testing are planned to determine any further action that may be required.

Under RCRA, $1,563,000 was directed towards compliance with underground storage tank requirements. This activity included leak testing, monitoring, and tank repair or replacement. In FY 1989, upgrading of tank facilities was completed at 27 sites. This activity included removal of 77 tanks and proper closure of 58 tanks. These removals and/or closures will help achieve the Departmental efforts to eliminate government owned fuel facilities.

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